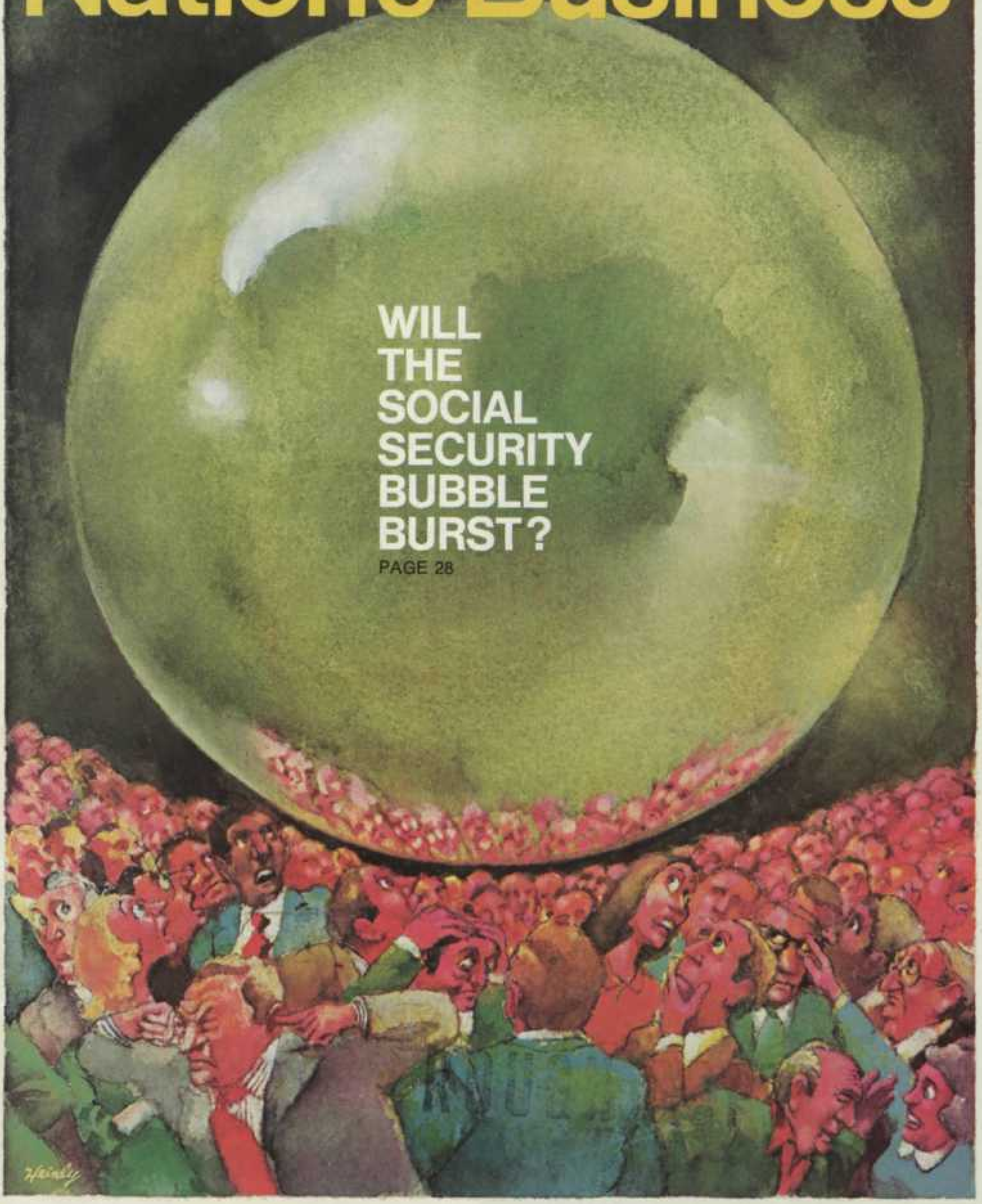
A USEFUL LOOK AHEAD FROM WASHINGTON

NOVEMBER 1974

Nation's Business



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MEMO FROM THE EDITOR

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You may not agree with all of President Ford's proposals to deal with our inflation problem, but I'll bet you agree with us that it's good to see some action under way.

Certainly inflation and our economic climate in general are things we all worry about. Can we, as members of the business community and as individuals, actually do much about them?

You'll recall that the President asked each of us to make a list of 10 things we can do to help fight inflation and to conserve energy. The high cost of energy, of course, is a real factor in our inflation.

Mr. Ford also asked each of us to share our lists with our neighbors. I'm going to try to share mine with all of you, our readers.

• • •

First, we have been noting for many years that a major cause of inflation in this country is excessive government spending. Well, what can we as members of the business community and individuals really do to reduce government spending?

We can demand less from government and actually take less. There are people, for example, who claim various kinds of benefits without really deserving or needing them. We can easily do small things that will reduce the cost of local or county or state government. For example, it costs money to clean up litter thrown out of cars.

We can give advice on better management of government at every level, especially if we're invited. We can also serve in government. Sometimes business people are too busy to serve where they could make a real contribution.

We can also let our elected officials—again at every level—know that we appreciate actions that reduce spending. We say "gimme" too often and don't say "thank you" for saving often enough.

Most of us can save more ourselves. That may be more important than President Ford indicated. Unless we put money away as individuals, there won't be enough capital to expand our economy. Saving may be pretty tough right now, but the way interest rates are it's also worthwhile. Sure beats borrowing.

As the President suggested, we can certainly waste less. And maybe not just food, either. We all throw away an awful lot of half-used paper, pencils, paper clips and all sorts of things.

• • •

Let's switch to energy saving, which is much easier.

Of course, we can drive less and heat less. We can also drive more slowly. (See "Sound Off to the Editor," page 17.)

We can check our insulation, turn off the lights and maybe use fewer appliances.

Here's a tip I picked up a while back: You can turn down the thermostat on your hot water heater a few degrees and save lots of money and energy. You seldom use the hot water out of your faucet without mixing in a little cold.

Not very brilliant ideas, are they? And I'm not sure exactly how many distinct ones there are, either. I wonder if very many of us have very brilliant ideas. If you have any, let me know. Maybe we can share some of them with all our readers, too.

Another thing I think we can all do is keep informed about the inflation and energy questions, and developments related to them. *Nation's Business* tries to help you do that. For example, you'll find in this issue articles on government spending, private pension costs, Social Security and, of course, executive pay.

• • •

Speaking of pay, there's a pretty good chance that we can all increase our productivity. This could be the real answer to inflation in the long run.

You know, even the Bible admonishes us to give an honest day's work for an honest day's pay.

How would I recommend increasing my own productivity?

I don't think I'll try to answer that. Our publisher might read it.

Jack Wooldridge

Ever thump an insurance company?

(How the good people were tested – and found wanted.)

It's too bad you can't sample an insurance company's service *before* you become a policyholder. Especially when you're buying business insurance.

But once in a while a situation develops that *almost* gives you this advantage. Then you have a chance to reward good service. With your business.

Here's how we were put to the test recently. Employers Insurance of Wausau was a long-time workmen's compensation insurer for the Valspar Corporation, a manufacturer of paint and varnish. When the firm merged with Minnesota Paints, Inc., we immediately solicited *all* of the compensation coverage for the combined entity.

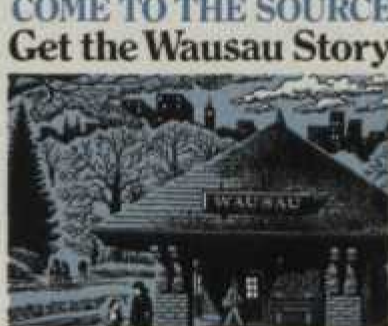
But the new management group said, "Not so fast — let's keep different insurance companies on different parts of the business and see how they perform. *Then* we'll decide if we should place all of the insurance with one company."

A year went by. Then two. And at renewal time, Employers of Wausau was awarded the entire account. On the basis of service. And the policyholder's confidence in our ability to *prevent losses and reduce their insurance cost in the long run.*

We're not claiming we'd always win out. But we want to make this point: At Employers, we *concentrate* on business insurance. It's more than just an important part of our business — it's our reason for *being* in business.

If *you* run a company with a single-minded purpose, you'll understand what makes us good at our job. And why we're known as good people to do business with.

COME TO THE SOURCE
Get the Wausau Story



EMPLOYERS INSURANCE OF WAUSAU Wausau, Wisconsin

EXECUTIVE TRENDS

BY JOHN COSTELLO
Associate Editor

If you follow the market

As they say, you can't tell the players without a program.

At any rate, that's true for tapewatchers.

If the stock market rallies, you'll find more and more of them in the broker's office. They're watching that running account of what's bought and sold on Wall Street.

Some old favorites, of course, are easy to recognize.

ITT is International Telephone and Telegraph Corp. And IBM stands for International Business Machines Corp. GM, too, is just what you think it is.

But maybe Ford Motor Co. isn't. On the tape it's F. FMC is FMC Corp.

How about ALL? It's Adams-Millis Corp.

Or AA? It's Aluminum Co. of America.

And ATE? Not a fast-food franchising firm, but Atlantic City Electric Co.

Those are all stocks listed on the Big Board—the New York Stock Exchange.

On the American Stock Exchange, there may be some other surprises.

SAC isn't the Strategic Air Command. It's Stanley Aviation Corp.

And YES is Yates Industries, Inc.

That's not the way they're usually listed in your daily paper.

Both exchanges have code books that give the ticker symbols for companies listed on their boards. They also have helpful hints on how to read the ticker tape.

Might be useful.

No bear market lasts forever.

How salesmen see their problems

Handling customer objections isn't the problem it used to be.

Neither is clinching the sale.

The salesman's No. 1 challenge is managing his time—and territory. Next comes dealing with shortages.

That's what the Research Institute of America found when it asked salesmen what their worst headaches are today.

Here's how they rate them:

	Per Cent
1. Managing time and territory	69
2. Dealing with shortages	65
3. Providing better service	48
4. Selling price increases	36
5. Selling against competition	32
6. Prospecting for new business	31
7. Closing more effectively	30
8. Handling objections	27
9. Selling to committees	15

In the past, RIA says, closing sales and handling objections rated higher. But managing time and territory is a perennial problem.

"It's the same old story—too many customers, and not enough time to call on them," an RIA spokesman says.

"But there are remedies," says Harry R. White, executive director, Sales Executives Club of New York.

"Like greater use of the telephone, or analysis of accounts to zero in on the most profitable."

Finding the right executive

More and more firms are turning to the experts.

That means executive recruiters, or "head hunters"—to use a term that makes the profession see red.

What does it cost?

A lot less, probably, than doing it yourself. And it could produce better results.

Here are some figures on what the costs should be, from a small book with a long title: "How to Evaluate, Select and Work With Executive Recruiters." Author: Roger K. Williams, vice president, Billington, Fox & Ellis, Inc., Chicago, Ill.

"The best general answer," he

business phone systems system features.

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Your local Bell Communications Consultant can tell you more about features and options.

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We hear you.

Executive Trends *continued*

says, "is 20 per cent to 30 per cent of the first year's compensation for the individual hired, plus out-of-pocket expenses."

What does that add up to?

"If the executive hired is paid $40,000 base salary and no bonus or incentive, the client's total costs will probably be around $12,000-$13,000, regardless of the billing method."

What do recruiters charge? Examples:

• Percentage, plus hourly. Twenty to 30 per cent of first year's pay, plus hourly amount for any search that lasts more than three or four months.

• Flat price. A fixed amount, where the search firm feels it has one or more solid candidates already in its files.

• Per diem or hourly. Say $25 to $100 an hour, depending on how high on the ladder the recruiter is.

Don't give the recruiter a blank check, the author advises.

But don't forget: Expect to pay him the going price for his skilled services.

When a superburger will cost $2

That'll be in 1985.

Now, a lot of them sell for 70 cents.

More good news, too.

The house that costs you $50,000 today will cost—then—more than $130,000.

Take it from the author of "Big Government's Destruction of the American Economy."

Vice President Wesley H. Hillendahl, Bank of Hawaii, says that's where inflation will take us, just a few years down the road.

The cause? Government's profligate spending. It's now soaking up 42 per cent of all personal income. In 1947, it took about half that—23 per cent.

The result? A growing shortage of credit and capital, mounting federal debt and a shrinking dollar.

Mr. Hillendahl's forecast: Inflation as bad as "in France in the 1790s, Germany in the early 1920s."

The only cure? Curb excessive government spending.

His booklet (50 cents) is published by the Committee for Monetary Research and Education, Inc., P.O. Box 1630, Greenwich, Conn. 06830.

Read it and weep.

Selling the old homestead?

Chances are, you'll make a big capital gain.

That's the good news.

But Internal Revenue Service will grab off a big chunk in taxes, unless you buy a new home, within a year, that costs at least as much as the one you left.

That's the bad news.

You can keep IRS' clammy paws off some of that dough if you look ahead. New York's First National City Bank tells how to do it.

"The next time you remodel your kitchen, install a new heating system or put a new roof on your home, be sure to keep a record of it," Citibank says.

These are "capital improvements" —not maintenance.

They're deductible from what you get when you sell home, sweet home, the bank points out. So are closing costs—fees you paid for appraisal, title search, title insurance and transfer—when you bought the house. Ditto, the broker's fee for selling it—anywhere from 5 to 7 per cent.

What you can't deduct is maintenance.

Like painting, for example, or getting that leaky faucet fixed.

But without good records, IRS will probably challenge your claims. It is not an eleemosynary institution.

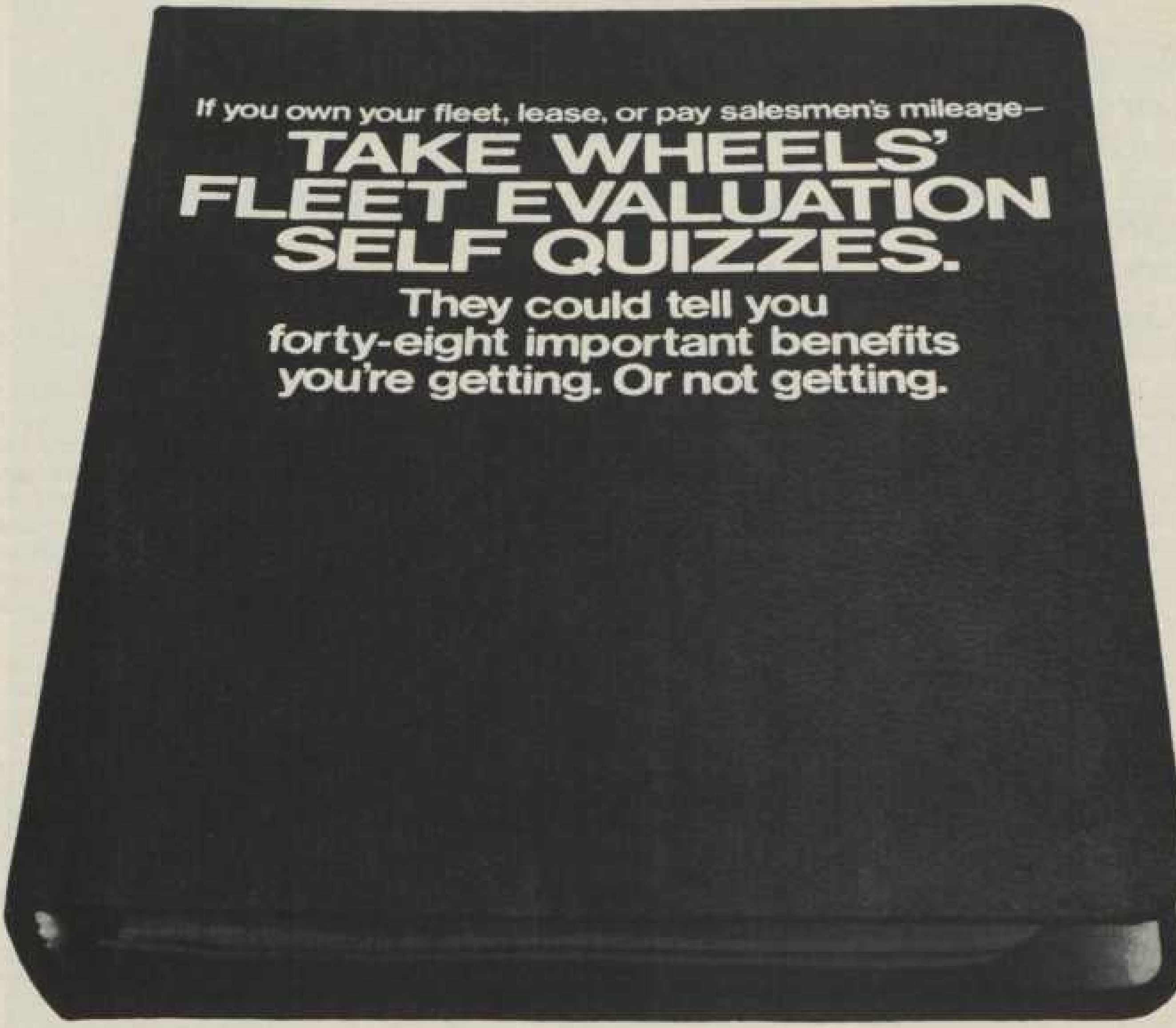
You may have to hang on to your records a long time. Even in mobile America, we average 12 years in a place before we hang out a For Sale sign, pull up our roots and move on.

How much should you ask for your home?

Five to 10 per cent more than your rock-bottom price, Citibank suggests. That gives you a little room to haggle. But not as much as 15 to 20 per cent. That tends to kill the sale.

Economists, by the way, point out that your so-called profit may not be a capital gain at all. You're selling for inflation-drained dollars that are cheaper than you bought with.

But don't bother trying to tell that to IRS.



NEVER BEFORE HAS ANYTHING OF SUCH POTENTIAL VALUE TO FLEET USERS COST SO LITTLE: *NOTHING.*

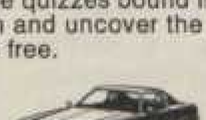
These could be $64,000 questions. Or $640,000 questions, or more! There's a good reason why: Major improvements in business transportation are constantly being developed. So, the fleet arrangement that was best for you a while back may be very costly for you today.

How can you determine which of today's arrangements will serve you best? Merely by giving yourself this new, specially designed fleet evaluation self quiz.

These questions explore every aspect of car and truck fleet transportation. And, include the newest fleet innovations.

Only you have all the "yes" and "no" answers that can steer you toward a more efficient and productive fleet. But we've got the questions. They're in four little quizzes bound into one compact booklet. So clip the coupon and uncover the entire series of facts. The price is right. It's free.

WHEELS inc.



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THE WORLD OF INDUSTRY

All Fired Up Over Hard Coal

For years, communities in Pennsylvania's anthracite—hard coal—regions have been trying to rid themselves of the unsightly waste piles that dot their landscapes.

In such enterprising towns as Pittston, culm piles, as they are called, have been leveled to become foundations for shopping centers, housing and factories.

Until the energy crisis of 1973, these black piles, representing the tailings of many years of mining, were a drug on the market. But now, for all of their unsightliness, some may be treasure troves. What was a throwaway piece of coal years ago could be valuable today.

The Interior Department, as part of a concerted effort to reverse the decline of the anthracite industry, has its Bureau of Mines looking at culm piles as a possible short-term source of fuel this winter on the East Coast.

Interior Secretary Rogers C.B. Morton has directed the Bureau to locate and sample culm piles, in order to pinpoint those that contain recoverable coal in usable quantities.

Other actions by the Department include an in-depth study to identify all factors impeding greater anthracite production, a program to identify hard-coal mining research and development needs, surveys of inactive mining operations to find out why they were shut down, and an assessment of the practicality of adapting advanced boring systems to underground extraction of anthracite from steeply pitching seams.

An Anthracite Production Assistance Office has been opened in Wilkes-Barre, heart of a major anthracite mining area in past years.

A premium quality fuel with a low sulfur content, anthracite was once a major source of energy in the U.S. But production went into decline decades ago as inexpensive petroleum and natural gas replaced hard coal in home heating, and as bituminous coal—soft coal—replaced it at factories and utilities' power plants. Today, hard coal contributes only two tenths of 1 per cent of total U.S. energy needs.

In 1920, the nation produced 89.6 million net tons, mostly in Pennsylvania. In 1973, Pennsylvania's production was down to 6.8 million tons.

It's estimated that the state's anthracite reserves total 12 billion tons. Only two other states have significant anthracite reserves—Arkansas, with 430 million tons, and Virginia, with 335 million. •

A New Twist for Hotels: No Keys

In the future, you may be spared those pangs of guilt which come when you discover you've absent-mindedly walked off with your hotel room key and have never mailed it back.

ADT Security Systems, New York City, has developed an electronic system called Cardgram that does away with the locks and keys now in general use.

In a typical hotel installation, a guest checking in receives a plastic card that has a series of holes punched in it by a machine at the desk. At the same time a duplicate card is punched and inserted into a master console.

At the door to the room, the guest simply inserts his or her card into a special sensing device, which electronically compares it with the card downstairs in the master console.

If they match, the door opens. If they don't, it doesn't. And if the sensor on the door is tampered with, alarms sound. When the guest checks out, the card is discarded and the next guest to occupy the room gets a new card.

According to ADT engineers, over 2.25 million combinations of codes can be used, which severely limits the possibility of chance duplication of cards.

So a hotel couldn't care less if a guest keeps a card as a souvenir. •

Is this company too small to get group insurance?

Nope. Allstate's "Small Employer Group" is precisely for businesses like this.

Allstate is in the business of helping businesses provide for their insurance needs. And for some time now, we've been providing group health and group life plans for some of the biggest businesses around.

Now we're introducing a group health and life plan for companies with 3 to 25 employees. Perhaps like yours.

We call it our "Small Employer Group Insurance." And even if you already have some form of employee group insurance, you really ought to compare yours with ours.

Because a lot of the things we do for the biggest businesses, we can do for your business, too.

Like offering a broad selection of coverages. So you can tailor a plan that's right for your business. A plan that can be 100% tax deductible.

And offering the simplicity of dealing with one agent, who represents the Allstate Group of companies. An arrangement that might just save you some money.

How can you find out if an Allstate "Small Employer Group" Plan is right for your business?

Call an Allstate Agent. He'll arrange for a proposal for your company. You select from the available plans, based on your company's needs and what you'd like to do for yourself and your employees.

You'll soon have the facts, costs, a complete picture.

The proposal is free. Take advantage of it. It could save you money.

Allstate

You're in good hands.

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Available in most states to businesses that qualify.

For a free booklet on Group Insurance for the Small Business owner, see an Allstate Agent near you.

BY JAMES J. KILPATRICK

The Blimp Buffs

We have had quite enough lately of serious stuff—of impeachment, pardon, inflation, amnesty. How about a nice dream for a change? Could you use a little nostalgia? Why not try on a vision for size?

This is the dream: to bring back the airship. For quite some time, the dream has been more or less the personal property of a small group of engineers, aviators and old Navy types. J. Gordon Vaeth of Washington, director of systems engineering for the National Environmental Satellite Service, became their unofficial spokesman. The blimp buffs, if you will forgive the alliteration, have the same passionate affection for airships that other buffs have for heraldry, steam locomotives and Confederate history. For quite some time, they have been gently regarded as some kind of nuts.

No more. The interesting thing about this particular dream is that it may well prove to be no dream at all. In September, some 300 scientists and engineers met in Monterey, Calif., for serious talk on the airship potential. In October, the National Aeronautics and Space Administration awarded two $125,000 contracts for feasibility studies. Meanwhile, word came from Great Britain that Shell International is far along on an eye-popping study of its own, to determine if giant dirigibles could be put to economic use in transporting natural gas.

The idea that men and goods could be carried in lighter-than-air vehicles is an old one. Balloons go back for centuries. Napoleon, an inventive fellow, experimented with a balloon corps in the early 1800s. The idea of an independently powered airship originated in France in the mid-Nineteenth Century. Henri Giffard, a French engineer, flew across Paris in 1852, using a contraption equipped with a three-horsepower steam engine.

Apparently the idea languished for a time. Then, in 1884, two other French engineers, Charles Renard and A.C. Krebs, successfully flew what may have been the first true dirigible—an airship 165 feet long, self-powered, capable of being steered. The French opened the gates and, as it turned out, the Germans came through. In 1900, Count Ferdinand von Zeppelin launched the *LZ-1*, a slim cigar-shaped vessel 420 feet long, propelled by two benzine engines.

With encouragement from the German government, the German Airship Transportation Co. came into being. Between 1910 and 1914, the company carried 35,000 passengers on routes connecting German cities. In World War I, the Germans made 50 bombing raids by airship over England.

Over the next 20 years, the airship idea caught fire. Italy, Russia, Great Britain and the United States tried various experiments, but Germany remained far in front. Between 1933 and 1937, the *Graf Zeppelin* made regular commercial crossings between Germany and South America, carrying 50 passengers in regal splendor. Then, in 1936, came the *Hindenburg*, queen of the German fleet. She made 56 extended flights, 36 of them across the Atlantic.

Alas, the idea caught fire—and so did the *Hindenburg*. She burned and crashed at Lakehurst, N.J., on May 6, 1937. In that spectacular disaster, the idea of the airship went down in flames. The United States continued to experiment with dirigibles in the armed services, but when the Navy's *ZPG-3W* was destroyed by a windstorm in 1960, little remained of the dream of Henri Giffard but the Goodyear blimps, floating like a football over football fields and political conventions.

Now the dream comes back, and even the most sympathetic reporter is bound to ask: Why? On the record of the past hundred years, dirigibles are lamentably vulnerable to violent storms. Allowing for the truism that beauty lies in the eye of the beholder, zeppelins may be beautiful vessels in motion; but they are great clumsy mountains at rest. Building a big dirigible today would demand a large investment, and the investment would involve a large risk. What makes the dream an interesting dream?

Mr. Vaeth and his colleagues respond in several ways. Over the past 20 years, they observe, the Space Age has produced some quantum leaps in fields of major importance—metallurgy, for one; weather forecasting, for another. Helium, of course, would replace the old flammable hydrogen in contemporary airships. They are confident that satisfactory safety factors can be achieved.

On the matter of cost, they respond by saying that a dirigible could be built and tested for a small fraction of the sum invested in the ill-fated SST. The supersonic transport plane cost U.S. taxpayers and airline companies close to a billion dollars. Mr. Vaeth and his associates believe a pilot airship could be

The Blimp Buffs *continued*

launched for something in the neighborhood of $30 million.

To recall the SST is to remark the contrasts. The American SST died aborning (and the British-French and Russian SST's are gravely ailing) because of objections in two areas: environmental and economic.

Those who opposed the SST were concerned at damage done by the sonic boom. They resented the noise pollution that would have been caused. A number of scientists feared that supersonic fleets could upset the delicate ozone balance in the upper atmosphere. The SST's would have consumed enormous quantities of scarce fuel. Their usefulness would have been limited by restrictions upon travel over heavily populated areas, and by the worldwide shortage of airports capable of taking them.

Economic objections to the SST were as serious. Granted, the prototype supersonic transports had great speed. This was their sole advantage. Airline executives in the end could not see a profitable return on a $60 million airplane that would carry only 120 passengers and minimal cargo. Over the past year, the soaring cost of fuel has just about foreclosed further discussion of the SST as a commercial venture.

By contrast, the airship looks immensely attractive. The dirigible is as quiet as the shadow it casts. At a modest 110 or 120 miles an hour, it leaves no sonic boom behind. It does not contaminate the atmosphere. A dirigible can go anywhere in the world; it can receive and discharge passengers and cargo by air-to-ground elevators that do not demand square miles of costly runways. The economics of airship transportation will be explored in the NASA feasibility studies, but preliminary discussions suggest that per ton-mile, or per passenger-mile, dirigibles could become competitive carriers.

When Mr. Vaeth and his colleagues wax enthusiastic—ordinarily they restrain themselves—they dream aloud of the varied applications to which airships could be put. First of all, because airships have to be paid for, they think of freight. A dirigible buoyed by 22 million cubic feet of helium (three times the *Hindenburg's* hydrogen bag) could haul a payload of 655,000 pounds. It could haul such a cargo anywhere. It could pick up mahogany logs in the most inaccessible reaches of the Amazon. It could carry bulk cargoes of grain to the most remote markets. A West Coast producer of lettuce sees the possibility of transporting lettuce by dirigible in 36 hours to New York instead of by train in eight days.

It is this prospect—the freight prospect—that has attracted Shell International. Natural gas is among the cheapest, cleanest and most abundant of all fuels—but conversion to liquefied natural gas makes it among the costliest of fuels to move from point A to point B. Shell's engineers see the possibility of doing away with liquefaction altogether. Their imagination suggests that perhaps a dirigible could be flown to the producing field. There its helium would be pumped out (except for a small ring in the outer skin, preserved for reasons of safety) and natural gas would be pumped in. The airship then would be flown to its destination, where the process would be reversed. Such an airship could have a greater capacity than the largest LNG supertankers now being built, and it could serve gas fields that cannot now be commercially developed. And in a world of unstable politics and hungry governments, the airship would offer a prudent advantage: A $200 million conversion plant could be nationalized or confiscated, while a $200 million dirigible could be prudently flown away.

Other applications come readily to mind. If an airship had been available at the time of the recent hurricane in Honduras, enormous quantities of food, of medicine and of other relief materials could have been shipped to the beleaguered nation. The dirigible could have functioned as a great hospital ship. On missions of mercy, an American *Spirit of '76* could prove a plump angel of goodwill.

If your dreaming goes to passenger travel, consider this prospect—the dirigible as a cruise ship. It might be economically feasible to build an airship that would carry, say, 500 passengers in accommodations comparable to those of the abandoned *SS France*. She would cruise at 120 miles an hour, floating a thousand feet above the sea or earth. At points of interest, the great ship would pause so that passengers could descend for tours on land. The vessel would carry 400,000 pounds of freight, which would add to its revenue potential. The prospect is for dancing, not under the stars but in the stars.

An altogether fetching dream, I submit. Will it prove, in the end, to be no more than a dream? I don't know. All kinds of questions have to be bluntly put and realistically answered. These are the questions that bankers raise: Cost. Safety. Reliability. Operating expenses. Crew skills. Demand. Proof of performance. Are there shipyards that could build an airship 1,800 feet long and 400 feet in diameter? Probably there are. Are there designers to design them, engineers to test them and pilots to fly them? Mr. Vaeth foresees problems, but no insurmountable problems. The first-phase NASA feasibility studies will be conducted by such respected outfits as Goodyear, Neilson Engineering, Battelle-Columbus, Boeing-Vertol and International Latex Corp. Early in 1975 they will bring in their preliminary conclusions.

Maybe the bubble will burst. But maybe not. And maybe—just maybe—the next generation will see freight trains, supertankers, cruise ships and hospitals floating serenely in the sky. It may be a dream, but it's a nice dream. Is there a venture capitalist in the crowd who would like to step aboard?

James J. Kilpatrick

Kind Words for "The Good Word About America"

• Hats off to a superb journalist—James J. Kilpatrick. His article, "The Good Word About America" [September], is, in my opinion, responsible reporting of the highest order.

The power of the press is never more justly applied than when it highlights and thus encourages constructive action as Mr. Kilpatrick does in discussing Sen. William Proxmire's (D.-Wisc.) series of speeches on "What Is Good About the Federal Government."

RICHARD D. MORGAL
Regional Manager
Dale Carnegie & Associates, Inc.
Garden City, N.Y.

• Many thanks for the article. It said a lot of things that have been running through my head. As I read the part about bellyachers, I could only think of Alexander sitting down to cry for lack of new worlds to conquer, and of George Eastman's lament that there was nothing left to invent in photography. The list could go on. The point is, something can always be improved.

LEON F. DILLENBURG
Director of Education
Bay Area Grocers Association, Inc.
Oakland, Calif.

• How wonderful to read something positive about our country for a change. I hope other writers follow your lead. We need more positive thinking.

NINA L. BLISS
President
Del Bliss Boat Shop, Inc.
Brewerton, N.Y.

Great saleswomen

• Your August article ["Move Over, Men!"] about successful women in the sales field was very good indeed but it failed to include some of the greatest saleswomen in the world—those who sell life insurance and annuities.

And a sturdy brood they are.

The best of them all is Dorothy Landon, Certified Life Underwriter, of Scranton, Pa., who accounted for sales in excess of $5 million last year, an all-time record for a lady agent. She was also the first lady invited to address the prestigious Million Dollar Round Table. She works mostly with trust officers, and sells mostly to men. Those of us who are familiar with her work and her talents are proud to be associated with this great lady.

Incidentally, her father and her son are also in the life insurance business.

JOHN F. SMILGIN, C.L.U.
Second Vice President
New York Life Insurance Co.
New York, N.Y.

WHAT READERS WANT TO KNOW

Is the federal government experimenting with a program called "flexi-time," in which employees pick their own working hours?

Yes. The Social Security Administration has completed a six-month test of flexi-time—sometimes called "flextime" [see "Picking Your Own Work Time," *Nation's Business*, September, 1973]—and says it is working so well it will be expanded to cover 22,000 workers in SSA's Baltimore headquarters. In the initial stages 370 employees were allowed to set their own eight-hour days—after consulting with supervisors—within the "core time" of 6:30 a.m. to 6 p.m.

The Civil Service Commission obviously is pleased with the program and is sending key federal officials a 16-page booklet explaining how it works and describing the reception it has received from employees.

Whether the federal government can move into another work plan—the four-day week—is another matter. Because Uncle Sam is required to pay overtime for work in excess of eight hours there is little likelihood of swinging to a workweek of four 10-hour days.

Too much overtime pay would be involved. [See "Is the Four-Day Week for You?" *Nation's Business*, January, 1974.]

Whatever happened to all those ideas a few years ago about "welfare reform"? Surely, the problem hasn't disappeared.

It hasn't been solved, but there are some encouraging trends.

The number of recipients of aid to families with dependent children—the nation's largest cash assistance welfare program—dropped in June by 66,000 persons, for a total AFDC population of 10,755,000. This was the tenth monthly decline since March, 1973, when the AFDC rolls peaked at 11,156,000.

Incidentally, the "reform" plan of 1969 would have doubled the number of welfare recipients with a guaranteed-income feature applying to people already working. It gradually occurred to some in government that this wasn't what genuine welfare reform was all about, and the proposal was dropped.

Nobody has yet come forward with a plan for real reform—moving significant numbers of people from welfare to work—that is acceptable to Congress.

What's the situation? Can individual Americans go back to owning gold as they once did?

Effective Dec. 31 this year, Americans will be able to buy and hold gold for the first time since 1934. Sen. Peter Dominick (R.-Colo.), principal sponsor of a bill making this possible, says: "Americans will thus achieve equality with citizens of other Free World countries in their ability to buy and hold gold."

SOUND OFF TO THE EDITOR

Should We Keep the Lower Speed Limit?

The National Safety Council estimates 8,500 lives can be saved annually in this country if the 55-mile-an-hour speed limit, imposed as a fuel-saving device in the days of the Arab oil embargo, is continued. It has already saved thousands of lives, the Council says.

Glenn T. Lashley, editor of the American Automobile Association publication, *American Motorist*, writes: "AAA suggests that we drive as though the energy crunch could again become critical and that we maintain this energy-saving, life-saving 55-miles-per-hour for all motor vehicles."

On the other hand, state highway officials and others question whether the lower speed limit—an inconvenience, at least at times, for most motorists, and a bane of truckers and passenger bus operators—should not be reconsidered now that plenty of oil is available. And *The Journal of the American Medical Association* recently claimed the lower limit is given more credit as a motorist-saver than it deserves. In fact, says AMA, most vehicular accidents occur at speeds below 55.

As matters stand, all 50 states have mandatory 55-mile-an-hour limits. While highway speed rules are set by states, all fell in line when Congress gave them a choice of adopting the new limit or losing federal highway construction and maintenance funds. That law remains in effect until June 30, 1975.

In September, the Senate passed a bill which would make the 55 maximum permanent. Final Congressional action is expected in coming weeks.

Initially, most motorists, either heeding a White House request to slow down or fearing arrest, eased up on their gas pedals. But in recent months, millions of drivers have been cruising merrily along at 60, 65, 70 and beyond, particularly on the interstate highways.

President Ford last month urged "strict enforcement" of the 55 limit, reporting that it has been saving 250,000 barrels of oil a day.

Opponents of the limit, however, take a different approach: End it, they say, and reduce lawbreaking.

The Highway Users Federation for Safety & Mobility, which reserves judgment on where speed maximums should be pegged, conducted a study in 1973 that showed drivers tend more to observe higher limits than lower ones. For example, in 55-mile-an-hour zones, speeds averaged 55 to 58. Where the limit was 70, they averaged 63 to 66.

Should the 55-mile-an-hour speed limit be continued? What do you think?

PLEASE USE FORM BELOW FOR REPLY

Jack Wooldridge, Editor
Nation's Business
1615 H Street N.W.
Washington, D.C. 20062

Should the 55-mile-an-hour speed limit be continued? ☐ Yes ☐ No

Comments:..

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Name and title..
(PLEASE PRINT)

Company..

Street Address..

City..........................State..............Zip.......

A New Title Wins in a Close Decision

When *Nation's Business* offered the "Sound Off to the Editor" question in the September issue, asking if Ms. should become the common form of address for women, employers polled employees, teachers polled classes, and hundreds of readers individually gave their reasons for approval, or disapproval, of Ms.

By a narrow margin, Ms. won approval.

Carol Gibson, of Hallmark Cards, Kansas City, Mo., says Ms. "is fine" for some, but: "I am happily married and do not feel that my rights are buried beneath my title of Mrs."

Irene Stewart, office manager for Texas Carbine Manufacturing Co., of Houston—who uses Mrs.—turns to rhyme to give her feelings about how she's addressed:

Some call me Miss—and that's great.
They think I'm particular and choose to wait.
Some call me Mrs.—and that's fine,
because really I am his, and he is mine.
Some call me Ms.—and that's dandy.
If you don't know, it's correct and handy.
Letters to Mister, Gentlemen and Dear Sir remain—
of this I feel justified to complain.

Wally Hughes, president of Hughes Insurance Agency, Orlando, Fla., finds that all five of his women employees favor Mrs. and Miss. None vote for Ms. Neither does he.

Five employees of John Hancock Mutual Life Insurance Co., Boston, Mass., vote unanimously against the use of Ms. Two of the employees are women.

Counselor Evelyn Allen, of Onaga High School, Onaga, Kans., distributed 18 ballots among boy and girl students. Ten favor Ms., six oppose it and two are undecided.

Five employees of Champlin Petroleum Co., Ft. Worth, Texas, split three to two in favor of Ms.

And in San Antonio, Texas, William G. West, general manager, The St. Paul Companies, polled 25 women employees, 13 of whom are married. Eighteen favor using Ms., four oppose it and three are undecided. Mr. West himself likes Ms.

Clayton R. Hodge, vice president, Citizens Commercial & Savings Bank, Flint, Mich., favors Ms. because: "Men do not have to reveal their marital status so why should women? Name plates on desks should then read 'Judy Smith' instead of 'Miss Smith' or 'Mrs. Smith.' Those girls who want to advertise their available status can find some other way."

Herman Schwall Jr., hotel administrator, Ford Motor Co., Dearborn, Mich., also favors Ms. "It makes more sense in this day and age," he writes. "It simplifies writing, and saves time that would be spent trying to find marital status. It's a better deal for both men and women."

Strong feelings are expressed by many female respondents. Dorothy Radabaugh, an Armco Steel Corp. secretary in Middletown, Ohio, who calls herself Miss, votes against Ms. "Who wants to be a great big nothing?" she asks. "That's what the title Ms. means to me. When I see the title, it seems to me there should be a question mark after it. The pronunciation is terrible."

Jerry V. Wilson, former Washington, D.C., police chief, votes strongly for Ms. Furthermore, he wants neuter pronouns invented to substitute for hers/his, he/she, and him/her.

A.B. Hobbes, secretary and general counsel for American Optical Corp., Southbridge, Mass., is for Ms. But he asks: "How is it pronounced? Down South 'Miz' means Mrs."

Lynne Karlson, of Mutual Trust Life Insurance Co., Chicago, Ill., favors Ms., although she points out it has faults—manuscript is commonly abbreviated as ms., and multiple sclerosis as MS.

Betsy Smeltzer, a secretary at Scott Paper Co., in Philadelphia, Pa., who is a Mrs. by her own designation, writes: "Absolutely not." She explains that "I am a woman in my early 20s and I feel that I deserve more than just a neuter title. I worked long and hard to become a Mrs. and I am proud of it. No thanks. I don't want to be an unidentified, indifferent middle-of-the-roader."

Sharon J. Davis, office manager at the Porter Valley Country Club in Northridge, Calif., says: "The title Ms. reminds me of a neutered animal. Whether you are married or single you should be proud of your status. It's sad to see many of our traditions go down the drain."

B.R. Chambers, vice president, Southern Shoe Machinery Co., Nashville, Tenn., asks why any title should be used—Miss, Mrs. or even Mr.? He points out: "A person is identified by his or her complete name. Why should this be preceded by any other identification?"

And Robert H. Heineken, general manager for Heineken Bros., Inc., Emden, Ill., writes: "Who cares? A very small element of our population is making a lot of noise about women's rights."

George Weirich, of Bucyrus-Erie Co., Milwaukee, Wisc., believes that "Women's Lib is like Watergate. We've had enough discussion on it. Since intelligence knows no sex, it is ridiculous not to utilize all available. Our country does, and will, need all the gray matter available to get business back on the track." He votes for using Ms.

Janet E. Brown, production coordinator for Green Giant Co., Vineland, N.J., comes out strongly for Ms., saying: "I definitely think that Ms. should become the common form of address. In my case, a 40-year-old divorced mother of three grown children, somehow Miss seems a little misleading. Also, I am not married, so am not a Mrs. However, Ms. suits me perfectly. Ms. may be catching on, but I am still asked by most new business contacts: 'Is it Miss or Mrs.?' Which really has no bearing on the situation at all."

Joseph A. Lanza, district sales manager for Allied Chemical Corp., Schaumburg, Ill., opposes Ms. because he finds "most women prefer to be known by their marital status." He adds: "Perhaps if the several Women's Lib organizations seek full equality, their efforts should be redirected to devising titles to define the marital status of men. An unmarried man could be called Master; a married man Mister. Lord knows, no man, once married, is ever again a master."

Jane Herbcha, of B.F. Goodrich Chemical Co., Cleveland, Ohio, is a Mrs. She says "the world is too stereotyped as it is," and using Ms. is only another way to lump people together.

John A. Chase, assistant dean, Georgetown University School of Business, Washington, D.C., favors an "M" for all persons.

EXECUTIVE PAY—

Record Raises Ahead

The Dow Jones Average may be down, but another average is finally headed way up

David McGregor—not his real name—has a first-class track record as a top corporate financial executive.

His professional credentials are impressive, but he has other assets as well. He's trim, articulate, and just a shade over 40.

About a year ago, he switched jobs.

He had been financial vice president for a diversified East Coast manufacturer with annual sales of about $300 million. His job, while responsible, left little room for creativity or innovation.

"Why not come with us?" he was asked by another East Coast corporation. It offered him a chance with a new division.

His title would be the same. And both companies were about the same size. His pay also would be about the same—$48,000. He would have opportunity for a minimum 20 per cent bonus and stock options, but the possibility of higher rewards was much greater.

Meet the corporate goals, he was given to understand, and the payoff would be sizable.

Meet them he did, but the promised payoff never came.

Recently, he called Soltis Management Services, a suburban Philadelphia executive search firm, to announce that he was available. Soltis expects to place him in a $55,000 to $60,000 slot—plus bonus and stock

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ROBERT E. SIBSON, *author of this article, is president of Sibson & Co., Inc., management compensation consultants. The article, published in Nation's Business exclusively, is based on Sibson & Co.'s Tenth Annual Management Compensation Study.*

Salaries of Chief Executive Officers of Industrial Companies

Table #1

(In thousands)

Size of company (By sales volume in millions) From	To		High-paying industries* Bonus-paying firms	High-paying industries* Non-bonus	Medium-paying industries Bonus-paying firms	Medium-paying industries Non-bonus	Low-paying industries** Bonus-paying firms	Low-paying industries** Non-bonus
$1	$5	Salary	$50	$60	$38	$46	$33	$33
		Bonus	25	—	16	—	11	—
		Total	$75	$60	$54	$46	$44	$33
5	15	Salary	$65	$78	$52	$60	$43	$43
		Bonus	35	—	25	—	16	—
		Total	$100	$78	$77	$60	$59	$43
15	25	Salary	$77	$92	$61	$73	$50	$51
		Bonus	44	—	30	—	19	—
		Total	$121	$92	$91	$73	$69	$51
25	35	Salary	$86	$99	$70	$80	$54	$55
		Bonus	52	—	35	—	21	—
		Total	$138	$99	$105	$80	$75	$55
35	50	Salary	$95	$110	$75	$88	$60	$61
		Bonus	58	—	38	—	24	—
		Total	$153	$110	$113	$88	$84	$61
50	75	Salary	$102	$121	$83	$101	$65	$67
		Bonus	65	—	43	—	27	—
		Total	$167	$121	$126	$101	$92	$67
75	125	Salary	$115	$139	$94	$113	$73	$77
		Bonus	75	—	50	—	31	—
		Total	$190	$139	$144	$113	$104	$77
125	250	Salary	$140	$170	$109	$137	$87	$93
		Bonus	97	—	61	—	39	—
		Total	$237	$170	$170	$137	$126	$93
250	500	Salary	$161	$214	$131	$165	$106	$114
		Bonus	115	—	89	—	50	—
		Total	$276	$214	$220	$165	$156	$114
500	1,000	Salary	$188	$261	$157	$200	$129	$148
		Bonus	141	—	98	—	63	—
		Total	$329	$261	$255	$200	$192	$148
1,000	2,000	Salary	$218	$317	$186	$243	$150	$176
		Bonus	170	—	127	—	78	—
		Total	$388	$317	$308	$243	$228	$176
2,000	5,000	Salary	$266	NA	$230	$310	$177	NA
		Bonus	220		159	—	95	
		Total	$486		$389	$310	$272	
5,000	10,000	Salary	$333	NA	$284	$385	$218	NA
		Bonus	291		210	—	126	
		Total	$624		$494	$385	$344	

NOTE: Salary data is updated to reflect levels as of January, 1975. Bonus levels are projected to reflect year-end bonus awards paid for 1974 performance.

*High-paying industries include cosmetics, pharmaceutical and toiletries.

**Low-paying industries include metal cans and meat products.

Salaries of Division Managers

Table #2

(In thousands)

Size of division (By sales volume in millions)	Level of autonomy High*	Medium**	Low***
$1 to 5	$37	$34	$31
5 to 15	49	42	38
15 to 25	60	49	43
25 to 35	66	54	47
35 to 50	72	59	49
50 to 75	78	64	54
75 to 125	89	72	59
125 to 250	106	84	65
250 to 500	126	100	75

The trend continues in larger companies to structure organizations along operating units, or "business results" areas. Therefore, data for the pay of division heads is increasingly important in management compensation. These Level No. 2 executives include managers reporting to the office of the chief executive. They do not include such men as executive vice presidents or others who are actually part of the chief executive's office.

*Division managers who operate complete business units with a high degree of latitude. This group would include strategic business units where a company has made a large investment in new technology or marketing strategy with a high risk factor. It would also include newly acquired, established business units not yet integrated into corporate functional operations.

**Division managers who have complete business units but do not have complete freedom of operation and are subject to overview by corporate management.

***Division managers who do not have complete business units and are subject to close scrutiny by corporate management. Divisions in this group may also include those that do not have a marketing or a manufacturing operation of their own.

Salaries of Staff Executives

Table #3

(In thousands)

Size of company (By sales volume in millions)	FUNCTIONAL POSITIONS Marketing	Finance	Mfg.	Legal	Research	Personnel
$1 to 5	$26	$26	$24	$19	$23	$16
5 to 15	33	34	30	24	29	20
15 to 25	37	38	34	28	33	23
25 to 35	40	43	37	30	36	25
35 to 50	42	46	39	34	38	27
50 to 75	46	50	42	37	41	29
75 to 125	50	55	46	41	44	33
125 to 250	56	63	52	47	50	37
250 to 500	64	73	58	55	57	42
500 to 1,000	73	83	67	65	65	50
1,000 to 2,000	83	98	77	76	74	59

Executive Pay *continued*

options—as chief finance officer with a West Coast firm.

Within two years, it's understood, he'd become chief executive officer.

Mr. McGregor's case illustrates an important fact about current executive compensation. With business, now and in 1975, sweating out a recession, meeting corporate goals will place great demands on all managers—especially those at upper levels. In such an environment, Sibson & Co.'s Tenth Annual Management Compensation Study shows, executives have very high expectations so far as pay is concerned.

This is obviously a unique recession. From the narrow point of view of management compensation, we see four key elements that will affect it.

- While some of the 1,460 companies studied in the survey have experienced serious business downturns, many others continue to experience a high volume of business and very high levels of earnings.
- The rate of inflation is, of course, the highest in our recent history—payroll costs are skyrocketing. But stock prices are down dramatically.
- A very severe shortage of talent is emerging at the top general management and staff levels.
- There are some critical unknowns, at least for 1975, in the social-political environment.

Managers' expectations are reinforced by the fact that key subordinates are receiving increases in 1974 at twice the rate they did in 1973—and budget increases for salaried employees will probably continue at the rate of 9 or 11 per cent through much of 1975.

Soaring living costs are having a particularly profound impact upon executives and on their compensation needs. The price of goods and services typically purchased by managers will have gone up about 11½ per cent in 1974 and will likely go up another 10 to 12 per cent in 1975. Increasing taxes are an important reason for this.

In an overwhelming majority of the companies surveyed, executive compensation in 1973 and 1974 fell far short of expectations. This was due primarily, of course, to a declining stock market.

Two thirds of all stock options are

still underwater. This, in turn, places great pressure on companies to make up these deficiencies with more salary, higher bonuses or better estate-building plans and special benefits.

During these days of high volume and complex problems, companies cannot afford to lose their best managers and high-level staff people. There is, as mentioned earlier, a shortage of top-level talent. Therefore, companies face a dilemma. If they do not meet their executives' expectations—declining stock market or no—they risk turnover, especially among their better managers.

Washington poses another question mark.

In the mill are many proposals to change tax treatment of various forms of executive pay. Most notable are those affecting qualified stock options—options which require the stock to be held for at least three years after its purchase.

If current proposals are enacted, there will be no tax advantage in a qualified option over a nonqualified option. In effect, a change like this really means eliminating the qualified option from the executive pay package.

Finally, there is the threat of new pay controls. At first, these will likely take the form of jawboning. But with the new Congress and continued inflation, it would not be difficult to imagine the reimposition of tough mandatory rules which would have their primary impact on management compensation.

Salaries going up

For the past 10 years, managerial salaries have increased an average of 7 to 8 per cent every year—in good years and in bad. Next year will probably be the first in which increases will significantly exceed that rate.

It's likely that 1975 will show increases of about 10 per cent.

Why? Mostly because so many companies now review managerial salaries every year. A decade ago, it was common practice to review management salaries every two years. Today, about 90 per cent of the companies surveyed review salaries of key persons annually.

Also, in this inflationary environment, fewer managers are passed over. While 12 per cent increases were typical for those who received them in the past, it was also typical that one executive out of four, or even one out of three, received no increase.

Thus the increases worked out to 7 to 8 per cent overall.

With more frequent reviews and fewer people failing to receive increases, next year's average could easily reach 10 per cent.

Higher salaries are not the only important trend. Most companies for instance, never did use the traditional job evaluation systems for management positions.

Those that did, however, are greatly simplifying them.

One reason for this is the greater availability of salary data. Now that companies know the going pay levels, they need not go through the administrative process of job evaluation.

Secondly, of course, that process involves an enormous amount of time and significant cost. As the complexity of management compensation plans increase, as well as the cost of administering them, companies have a second reason for simplifying their salary administration programs—cutting costs.

In 1974, bonus payments have reached the all-time highs of 1968-1969, reflecting the high level of earnings in many businesses this year.

Every forecast of company earnings suggests that 1975 will be another year of very high bonus payments. They may set a new record.

Bonus programs are plagued, however, with some important new problems and some critical uncertainties.

Some companies are beginning to feel resistance from stockholders when they pay high bonuses while stock prices reach new lows.

Of even greater concern to many companies is whether or not it is appropriate to pay managers record

Total Compensation of Chief Executive Officers

Table #4

(In thousands)

Salary	Bonus	Annual long-term income*	Total annual income
$250	$170	$210	$630
200	130	152	482
175	110	128	413
150	92	104	346
125	75	82	282
100	57	66	223
75	40	43	158
50	23	23	96

The size of bonus and long-term payments relative to salary clearly changes as the chief executive officer's position increases in size. The larger the size, the greater the percentage of incentive awards becomes to total annual income.

*Includes only executives who actually realized gains from stock options or long-term bonus plans.

Measure your roll towel leftovers and see how many hand-dries you can save with the new Commander I™ Cabinet.

You may be throwing away as much as 25% of what you spend on roll towels in "stub rolls," the leftover towels your maintenance man finds when he refills the cabinets.

When he finds a stub roll, he can leave it in the cabinet and hope it doesn't run out. Or, he can remove the stub roll and put in a fresh roll. If he removes it, you may be wasting as much as 25% of the roll towels you buy.

Now use almost every inch of the towels you buy.

Fort Howard's Commander I Cabinet lets you load a new 625-foot roll while the stub roll—up to 3½ inches in diameter—is still being used. After the stub roll is used up, towels from the new roll dispense automatically. So you use almost every inch of towels you buy.

And because you can get up to 755 lineal feet of uninterrupted towel service, the Commander I can lessen the chance of run-outs and may help reduce your maintenance costs—by requiring fewer refills than single-roll cabinets.

If you'd like to see how our new Commander I Cabinet can help you reduce roll towel waste and provide more uninterrupted towel service, write us on your business letterhead. We'll send one of our sales representatives over with a sample cabinet and a Commander I Savings Scale to show you how much you can save.

You have nothing to lose but your stub roll waste.

Fort Howard Paper®

Green Bay, Wisconsin 54305

We put paper to work for you.

Executive Pay *continued*

bonuses for high profits—much of which are really only inventory profits.

Goal-oriented bonus plans avoid these problems. Among some companies, payments of bonuses are based more and more on achievement of preset yearly goals. There is still the tough job of setting appropriate goals—this may be somewhat tougher in inflationary years. But it is a normal part of the system.

Goal-oriented bonus plans also face a critical danger in 1975. If pay controls are reimposed, then it's likely that they will resemble those that expired last year.

Those regulations were highly discriminatory against goal-oriented incentive plans.

In fact, under such rules, many companies might be unable to pay executives bonuses they had already earned under company incentive programs.

Long-term rewards

Stock options continue to be the primary form of long-term income for key managerial personnel.

Obviously, the value of long-term income plans will depend on the performance of the stock market in the future. Options to buy stock at more than its market value are worthless.

Not so obvious, however, is the fact that the real value of an option depends not on the stock price in 1975 but on the price at the time the option can be exercised.

For most plans initiated this year, the key question will be the value of the stock in 1979 and 1980.

Many executives may be confident that stock prices will clearly exceed current levels sometime in the near future. But they can't be equally sure that their firms' shares will be significantly higher in 1979 and 1980.

There has been a lot of work on the administration of option plans this year, and there will be more in 1975.

Many companies this year have gone to their stockholders and asked for approval of a total number of shares to be used—with broad authority on how to use them.

Most, for instance, have asked for approval to grant either qualified or nonqualified options. Many others also have received permission to use some form of phantom plan or buy-outs—so long as the total number of shares did not exceed a certain level.

Those that have sought and received broad approval were well advised.

One of the many uncertainties that management faces is what Congress may do about tax and accounting treatment of stock option plans. The wisest company course is to maintain as much flexibility as possible on options.

Estate-building outlook

There continues to be a very high level of interest in various estate-building programs, even though corporate experience with them has been mixed.

Most interest today is centered on executive stock purchase plans. Generally, it is associated with a broader desire on the part of directors and top managerial personnel to create an "entrepreneurial environment" in general management.

One way is to have executives hold substantial amounts of company stock. Then their well-being is identical with that of the stockholder; their situation simulates that of the owner-manager.

About 10 per cent of all major companies included in this year's study have some form of executive stock purchase plan. Another 10 per cent, in one way or another, seem to be considering such programs.

Thus, in all likelihood, 1975 will see the emergence of stock accumulation plans of one form or another for key executives as a major part of the executive compensation package.

All in all, though there may be much uncertainty in the business picture today, one thing is certain: There is much opportunity for managerial personnel to reap greater rewards. END

REPRINTS *of "Executive Pay—Record Raises Ahead" may be obtained from Nation's Business, 1615 H St. N.W., Washington, D.C. 20062. Price: One to 49 copies, 50 cents each; 50 to 99, 40 cents each; 100 to 999, 30 cents each; 1,000 or more, 20 cents each. Please enclose remittance with order.*

Will the Social Security Bubble Burst?

The benefits are swelling, swelling . . . and so are the costs

After teaching school for more than 12 years, Ida M. Fuller was hired in 1904 as a bookkeeper, secretary and clerk in the law offices of Stickney, Sargent & Skeels in her home town of Ludlow, Vt.

In 1937, her employers—she was still there—explained that the slight deduction they had started taking from her weekly pay represented a 1 per cent tax required by the new Social Security Act to finance retirement benefits for the elderly.

Though the tax was imposed in 1937, the start of benefit payments was deferred until 1940 to allow a buildup in the fund from which they would be made.

Miss Fuller retired in 1939 and applied for benefits.

In January, 1940, she received a check for $22.54.

Numbered 00-000-001, it was the first monthly Social Security check ever issued.

From that droplet, the flow of payments has increased to a trickle, a stream, a river and now a mighty torrent. In 1940, a total of $62 million went to 222,000 beneficiaries.

This "fish-eye" camera view suggests the vastness of Social Security's Baltimore headquarters, where thousands of people do the paperwork day and night.

PHOTO: DENNIS BRACK—BLACK STAR

May send 2 copies 11-5-74

This year, $65 billion is being paid to more than 30 million recipients.

All told, $400 billion has been distributed since the program got under way—three quarters of it in the last 15 years alone.

Social Security has been accorded the popular status of a national institution whose financing method makes it invulnerable to uncertainties that might threaten other government programs. Most Americans have no doubt that the bounty will continue indefinitely.

In fact, if you look at Social Security Administration projections into the next century, it appears on the surface that the program will flourish at a level far beyond its originally envisioned role as a provider of modest retirement income.

The Administration currently forecasts that the maximum payment to an individual retired worker, now $3,660 a year, will go up like this in the future:

1980—$5,580

1990—$8,976

2000—$15,082

2010—$25,693

2020—$42,908

2030—$71,292

Under the surface

Behind the glittery promise, however, are some hard economic facts. Congress is only now beginning to face up to them after years of increasing benefits and expanding coverage of the program.

In the last five years alone, Social Security increases totaling nearly 70 per cent have been voted—a considerably greater rise than the rise in living costs.

While the original Social Security Act set up an "old age insurance" plan covering only employees who had paid taxes into a trust fund, the scope has been enlarged in stages to cover: survivors and dependents of workers; the self-employed; preretirement-age workers who are disabled—long-term or permanently—and their dependents; and individuals 72 or older who have never paid into the program. The most sweeping expansion came in 1965, when the Medicare system of health insurance for the elderly was established.

There is now a growing awareness that the Social Security system is being strained by the constantly growing demands on it and is headed for a financial crisis that can be resolved only through major tax increases—even beyond hefty ones now scheduled—or by restraint on future benefits increases, or a combination of both.

Those scheduled increases are hefty indeed.

Workers now pay—and employers match—5.85 per cent Social Security tax on income up to $13,200, a total of $772.20 each.

In 1972, Congress set up an automatic escalator on which benefits will go up along with the Consumer Price Index, beginning next year. That same law provided for raising the taxable wage base to finance the increases, also automatically.

At the same time, Congress adopted what it termed "dynamic assumptions"—that wages would go up an average of 5 per cent a year over the next 75 years and prices only 3 per cent, so that workers' income would be going up faster than the benefits it financed.

The official forecasts of future maximum payments listed above are based on those assumptions, which obviously do not take into account the current inflationary situation.

The other side of the coin is, of course, the tax levels that will be needed to pay the future benefits.

Based on tax schedules in the present law and Social Security Administration projections of benefits, this is how the maximum tax that employer and employee each pay will go up:

1975—$825
1980—$1,071
1990—$1,857
2000—$3,019
2010—$4,954
2011—$6,005 (a major jump in the tax rate occurs this year)
2020—$9,319
2030—$15,176

Where did we go wrong?

Why, in the light of tax increases like that, should anyone be worrying about the future financing of the retirement system?

What in the world has gone wrong?

In answering those questions, it is first necessary to recognize that the Social Security system operates through transfer financing—taxes taken in from workers go immediately out in benefits to retirees and other recipients, not into any reserve or individual account.

The theory is that the economy will continue strong over the long range, with enough workers employed at rising pay levels to assure that taxes coming into the system will at least equal benefits going out. Also, that the working public will accept whatever tax increases are necessary to maintain this balance.

But this theory must be evaluated against recent developments: declining birth rates that will affect future worker-to-beneficiary ratios; inflationary trends in which prices are rising faster than wages, contrary to Congress' 1972 expectation of a 2 per cent annual increase in real wages; unexpectedly high costs of providing benefits to the disabled; and new public attitudes as Social Security taxes climb. To elaborate:

Population trends. Children born during the great baby boom of 1946-69 began entering the work force in the 1960s and the influx will continue into the late 1980s.

Over the next 35 years or so, then, there will be a large work force providing retirement and other benefits for a relatively small retired population of the pre-1945 era, when birth rates were low.

So far, so good. But during the early 1970s, the birth rate dropped suddenly to the zero population growth level—a development that had not been expected until after the year 2005.

Therefore, when those in the baby-boom generation reach retirement age starting about 2010, a relatively small work force will be providing high benefits for a large number of retirees.

Back in 1940, when Miss Fuller received that first check, 35 million taxpayers contributed to Social Security and, as mentioned earlier, benefits went to 222,000 beneficiaries—a ratio of 150 workers to one retiree.

By 1950, the ratio had dropped

to 14 to one—over 48 million working and 3.5 million receiving.

In 1960, there were 72.5 million workers and 14 million beneficiaries—a little over five to one.

Right now, some 95 million workers are providing benefits to 30 million retirees—about a three-to-one ratio.

This could be down to two to one by the turn of the century or not long thereafter.

The number of beneficiaries is considered certain to be over 40 million by 1995, some 45 million 10 years later and nearly 60 million by 2020. The increase in the work force, on the other hand, will be affected by the unknown factor of general economic conditions.

Inflation. The cost-of-living increase that beneficiaries will get next year, on the basis of the Consumer Price Index at the end of the first quarter, will show up as a higher wage base beginning Jan. 1, 1976. By current estimates it will be around $15,300—which translates into a tax of $895 each from employer and employee.

As long as the inflation rate is more than 3 per cent a year, the benefits level will keep going up—and so will the wage base.

But nobody envisioned the current double-digit inflation when Congress set up the automatic escalator two short years ago.

Such living-cost pressures will send the benefits level up in amounts that simply can't be recovered solely by raising the wage base. Boosting the base from $15,300 to $17,000, for example, would produce extra revenue only from those making more than $15,300 a year, and none from the majority of workers making less.

Without increases in the tax rate affecting all workers, the Social Security system will plunge into the red in 1980, if not before, and the deficit will build up by billions of dollars a year.

Presently scheduled increases in the tax rate—to 6.05 per cent in 1978 and 6.30 in 1981—won't be enough to keep Social Security in the black. So Congress is going to have to make some difficult decisions on tax rates and benefit levels in the near term.

Robert J. Myers, longtime chief actuary for the Social Security Administration and currently a professor of actuarial science at Temple University [see "Is It True What They Say About Social Security?" NATION'S BUSINESS, June, 1973], views revisions in the escalator plan as an important element in resolving the problem.

"If the automatics operate in their present method indefinitely," he says, and current inflationary trends continue, Social Security benefits "will rise unduly and the system will get out of control."

He points out that if the price increases that trigger higher benefits continue running ahead of wage boosts, "the benefits would, after some decades, be more than final pay for most people."

Mr. Myers adds: "And you can see what that would do to both the cost of the program and to any private sector activities in the economic security field."

Disability coverage. "For reasons that are not quite clear yet," says Mr. Myers, "far more people are being awarded disability benefits" than a few years ago.

From just a preliminary study, he says, one factor appears to be a policy under which determinations of dis-

FIRST COME, FIRST SERVED

Ida Fuller was 76 in 1950 when she received the first increase in her monthly Social Security benefit. The new amount was $41.30.

The year she turned 65, Ida M. Fuller traveled from Ludlow up to Rutland, Vt., one day to inquire at a U.S. government office about the new Social Security retirement plan.

It was 1939, and the first benefits were to be paid the following year.

By coincidence, the day's mail to the Rutland office contained its allotment of the first shipment of application blanks from Social Security headquarters in Washington, D.C.

Miss Fuller was invited to fill one out immediately, and it was mailed off the same day. Because of that timing, she became the first individual to receive a benefit check under the new program of retirement benefits.

She's been getting them ever since.

Now 100 years old, Miss Fuller received her 474th check this month—$105 after a deduction for Medicare, compared with $22.54 in that first check.

In 1965, as part of the 25th anniversary of the start of Social Security benefits, Miss Fuller was featured in a promotional film made for the Social Security Administration.

The camera recorded a ceremony in which her footprint, movie star style, was impressed on wet concrete. The hardened block is now part of the Social Security archives in Washington.

Miss Fuller, who lives with a niece in Brattleboro, Vt., was in good health and active up to her 100th birthday last September, but since then has been showing her years.

Will the Social Security Bubble Burst?

continued

ability are made by state agencies, rather than the Social Security Administration—which, until 1971, reviewed each case but since then has checked only on a sample basis.

The fact that the number of disability cases has increased since 1971 "may be a coincidence," Mr. Myers says. "Or it may not."

Public attitudes. Under the present transfer system, the existence of Social Security depends on the willingness of the working generation to be taxed to pay direct benefits to those covered.

Historically, there has been little protest over that concept. Congressional action has reflected the viewpoint that more political mileage is gained in raising benefits than lost in raising taxes to finance them.

But as those taxes have taken a bigger and bigger bite of the income of families whose cost-consciousness has been heightened by inflation, there are signs of unrest, especially among younger taxpayers.

"I am 27 years old, married, have three children and am an employee of AT&T," Bruce Wheatley of Forrest City, Ark., wrote his Congressman. "The Social Security tax is becoming more oppressive and burdensome from year to year to both employer and employee, and it appears there is no letup in sight under the present system."

The complaint is not an isolated one.

Says Rep. Ancher Nelsen (R.-Minn.): "As do all of my colleagues, I regularly receive letters from the elderly who say they need even more . . . to get along. Needless to say, I also receive letters from those who are paying the rapidly increasing payroll tax to support the system and who believe the tax has risen far enough."

Social Security Commissioner James B. Cardwell agrees that "the rising voice of the middle-income worker, challenging the equity of the payroll tax and its growth rate," is among the reasons why the system is at the center of unprecedented controversy.

Declining worker-retiree ratios and prolonged inflation are matters of proper concern, he says, and there's no question the program is heading into deficit. But, he adds:

"I would stress . . . that all that exists at the moment is the possibility of this happening in the distant future and that we possess the means of preventing it from happening. . . . I do not believe that even the specter of a future deficit will be allowed to last beyond the next session of Congress."

"The siren song"

The focal point for Congressional action on resolving the impending financial crisis will center on a report due by Jan. 1 from an advisory council that is making a complete appraisal of Social Security, covering such fundamental questions as what the nation expects of the system and how it is to be financed.

Health, Education and Welfare Secretary Caspar W. Weinberger appointed the panel last April under a law requiring a periodic review of Social Security.

W. Allen Wallis, chancellor of the University of Rochester and a former special assistant to President Eisenhower, is chairman. Other members represent business, labor, retirees and the public.

While the council's work, and even its existence, might be unknown to most Americans, the recommendations it makes will be the starting point for legislation that will have a major impact on business well into the next century.

The debate inevitably will produce a resurgence of proposals to tap general revenues for partial financing of retirement benefits, rather than make hard decisions on raising taxes or moderating increases in benefits.

Mr. Myers has a warning for the business community on that score.

Beware, he says, of "the siren song" of those trying to sell general-revenue financing as a way to ease the burden of payroll taxes.

"Money that comes out of general revenues is money that business is going to pay in part in one form or another," he adds. "The same is true for individual taxpayers.

"As long as people see the payroll tax rates directly, I think they will be more interested in keeping the system within bounds."

—ROBERT T. GRAY

Let's Go on a Spending Diet

BY REP. JACK F. KEMP (R.-N.Y.)

How much damage is fat in governmental outlays doing to our national economic health?

National health insurance: as much as $250 billion.

Public service employment: $40 billion.

National growth policy planning: $26 billion.

Urban parklands: $4 billion.

Public financing of Congressional elections: up to $500 million.

That's just a small sampling of the four-year price tags hanging on legislation which has been introduced in Congress this year.

Six other members of the House of Representatives and I recently analyzed a far more comprehensive list of 450 Congressional proposals for spending more federal money.

We found to our distress that the four-year cost would be a staggering $871 billion.

These new ventures, and others, are being urged on the public just as it shows growing awareness that the prime cause of our present economic turmoil is Washington's excessive spending.

While not all those bills will become law, that is no reason for complacency. Year after year, so much big-spending legislation has been enacted that overall federal expenditures are going up at an alarming rate.

Our national debt even now is going beyond $500 billion—half a trillion dollars. Planned budget deficits have become commonplace. While receipts have increased 130 per cent in the last 15 years, spending has gone up 160 per cent.

The interest alone on the national debt this year is $30 billion—about the size of the entire federal budget as recently as 1948.

As a result, our money is worth less and less.

Your dollar, compared to its value in 1969, is now really worth only 75 cents. By 1979, if things go on as now, it will be worth 57 cents.

How we got into this fix

The crucial question is how all this has come about. To get out of our present economic crisis, we must first learn how we got into it.

One central fact should be kept in mind: Inflation is not an act of God. It is an act of politicians.

Inflation is essentially a political, not an economic, problem. To begin to solve it, we must take politics out of economic policy.

Inflation is not an act of God. It is an act of politicians.

Let us examine what has happened:

• We have relied too much on government at all levels, particularly the federal government.

Over the past few decades, our nation has moved to the implicit belief that it is possible to tamper indiscriminately with our economic system, making patchwork adjustments here and there, without affecting our productivity and standard of living.

Much of our economic difficulty today stems from this tendency to blame our problems, real or imagined, on one or more functions of our economic system. Tampering with that system through some new government program or regulatory policy is supposedly the way to come to grips with the problem.

Yet, if there is anything that history, particularly that of recent years, teaches us, it is that fighting individual symptoms won't cure basic ills in an economy as complex as ours. Wage and price controls offer us a recent, classic example.

The answer is not in crisis solutions that deal only with symptoms but in allowing the market to operate freely.

• We have been deluded by an old fallacy, namely, that when you raise the ante, you improve the cards.

In other words, simply asking more of our institutions does not ensure that they will automatically rise to the occasion.

We must learn that improving their ability to solve problems takes much effort over a considerable time. Until we learn that lesson, we tend to think government can do more than it's able. And, when we expect more of it than it can deliver, hope turns to disillusionment.

The result: Even more demands that government step in and do things in our behalf.

• We have downgraded the private sector of American life.

The growing share of our national wealth being taken by government makes it more and more difficult for the private sector to acquire the capital so necessary to economic progress.

Today federal, state and local tax collections eat up 43 per cent of our

national income. If present trends continue, that share will increase to 54 per cent—54 cents out of every $1—by 1985.

How can the private sector solve our economic problems when profits and capital formation are so restricted by government taxing, spending and regulation?

The facts of life

Americans have to face two basic facts of economic life: (1) We must increase productivity to overcome our shortages in goods and commodities and to provide an upswing in an economy that has been severely harmed by inflation. (2) The only way to increase productivity is to increase the amount of invested capital.

Last year, private domestic investment represented only 15.7 per cent of our gross national product. In Germany, it was 26 per cent; in France, 28 per cent; in Japan, 37 per cent. A principal reason for our low ranking is the burden that taxes, regulations and controls place on private enterprise.

Too many politicians have been currying favor by spending public money on the pet schemes of any special interest group that commands a bloc of votes. As a result, government has developed a limitless appetite for tax dollars to satisfy these ever-increasing demands.

I have already cited some ways to help solve the crisis created by extravagant federal spending.

We have been deluded by an old fallacy, namely, that when you raise the ante, you improve the cards.

Here are some further suggestions:

- The private and voluntary sectors of our society should be given responsibility for all activities that are not clearly the province of government. And those tasks that clearly belong to government should be assumed, wherever possible, on the state and local level.
- Members of Congress must stop grandstanding for the folks back home by offering expensive new federal cures for every problem under the sun. Washington—and money—can't solve every problem. In fact, some can't be solved by government at all.
- Tax reforms should aim at creating individual investment capital to be used for increasing production and creating more jobs.
- We should put a ceiling on how much Washington can take of the nation's wealth. That ceiling should be set as a per cent of the GNP.

Thus, as the economy grew, government income would also increase, but not at the expense of the people's freedom, freedom that is lost or endangered when government takes an ever-increasing share of the people's livelihood.

- Require that any increase in the money supply be tied to an increase in productivity, recognizing that more money without more productivity is a principal cause of inflation.
- Mandate that every bill or resolution introduced in the Congress—or reported from a Congressional committee—state on page one the exact cost involved if it is enacted into law.

This would be an important curb on the introduction of bills without regard for the added burden they would impose upon taxpayers.

The basic need

But the cornerstone for all our actions should be an all-out defense of our free market economy. Those of us who support that system must take the initiative to demonstrate to the American people its intrinsic value in terms of both human liberty and productive capacity.

Those who favor a controlled economy have turned concepts like "the market economy," "private enterprise," "profits" and "businessmen" into terms of opprobrium.

American businessmen must realize they have an obligation to help make the public aware that the market system, above all other economic systems devised by man, is the most compatible with economic and political freedom—and the most capable of meeting human needs.

If ever we reach a point where it is widely believed that only those on

We have downgraded the private sector of American life.

the public payroll work in the public interest, our free society and economy will be endangered. And if we ever come to rely solely on government agencies to make the decisions that directly affect our lives and our futures, that society and that economy are doomed.

While the problems I have discussed are serious, there is nevertheless a ray of hope—growing belief in Congress that it's safer today to vote against excessive public spending and gigantism in government.

This remains far from a majority view—now. But voters are beginning to see first-hand the tragic results of too much government spending: High taxes, double-digit inflation, swollen interest rates, devalued dollars and diminished purchasing power.

Eventually, Congress must reflect their demand for a halt to profligate federal spending for which they pay both in direct taxes and through the indirect tax of inflation.

Those members who fail to do so will, in increasing numbers, be turned from office. END

PHOTO: DENNIS BRACK—BLACK STAR

The Patient

Bill Lukash, family doctor to the First Family, discusses such matters as Gerald Ford's diet, smoking, skiing and workday

Like his boss, Bill Lukash is a former football player at a Michigan university, takes to the pool for exercise and is married to a girl from Grand Rapids.

Rear Admiral William Matthew Lukash is the new chief White House physician, a role for which he is particularly well-suited. He served as assistant White House physician to both Presidents Johnson and Nixon.

Watching over the health of the President and the First Family is, of course, quite a job, but Dr. Lukash approaches his assignment in much the manner of a country doctor with a small practice. He doesn't believe in "always talking health," choosing instead to get to know his patient better by talking with him frequently about a variety of subjects.

Adm. Lukash, 43, graduated from Michigan State University, where he played quarterback, in 1952—17 years after Gerald Ford graduated from the University of Michigan—and received his M.D. at the University of Michigan in 1956.

Joining the Navy in 1957, he completed a residency in internal medicine at the Great Lakes Naval Hospital and for the next several years served on staffs of other Naval hospitals. He is regarded as a highly competent specialist in digestive diseases.

A fellow physician who practiced Navy medicine with Dr. Lukash says: "Bill made the patient sitting in front of him feel that he was the only one in the world who mattered to him at the time."

And of this period Dr. Lukash says: "I became more aware of the

Is the President

Have

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importance of knowing the ramifications of the total patient—his personality, his dislikes, how he handles fatigue and disappointments, how he is able to be re-energized and how all this affects his health."

In a large sense, this is precisely the manner in which Adm. Lukash approaches the care of the President.

At their home in Potomac, Md., Dr. Lukash and his wife prize their outdoor swimming pool, where Mrs. Lukash swims 60 laps a day to help relieve a chronic back condition. (In the winter months the Lukashes use an indoor pool at the Bethesda Naval Medical Center.) Though Mrs. Lukash is from Grand Rapids, the Fords' hometown (Dr. Lukash is from Detroit), she did not meet them until Mr. Ford was Vice President and came under her husband's care.

The trim, athletically built White House physician recently gave up his post as chief of gastroenterology at Bethesda to devote practically full time to the health needs of the First Family. But he has been able to accept a professorship of medicine at George Washington University—a few blocks from the White House—where he teaches once a week.

Two other military doctors assist Dr. Lukash at the White House. They man a small clinic which is capable of handling everything from minor illnesses to heart attacks. But not major surgery. When the President's wife recently had a breast removed, Dr. Lukash was in the operating room "in the role of family physician." He's been giving Mr. Ford regular reports on his wife's recovery.

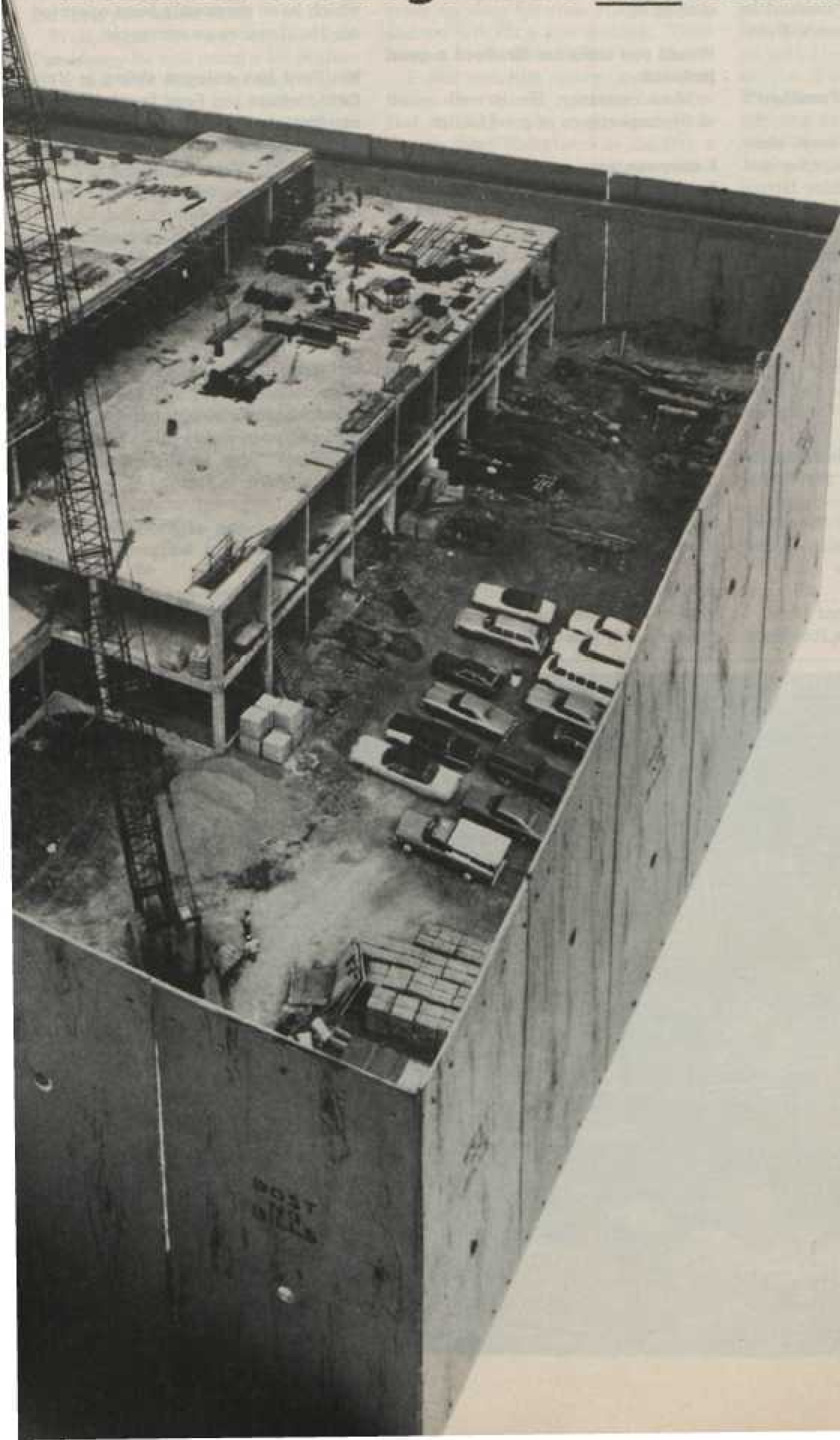
Dr. Lukash is seldom far from the President. When Mr. Ford is not at the White House, the doctor is generally a few feet from him—on the golf links, at cocktail parties and other social gatherings, and on the political trail.

Dr. Lukash, who accompanied President Nixon on his historic trips

WHITE HOUSE PHOTO BY DAVID H. KENNERLY

White House Physician William Lukash gets a chance to mix official chores with pleasure as he plays a round of golf with the President. Mr. Ford, who is nearsighted, wears glasses principally to play golf.

business coverages into one neat little package.



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to Peking and Moscow, discusses the care and treatment of a President in an interview with a NATION'S BUSINESS editor:

How do you care for a President's health?

Generally, by having very close contact with him. This is true not only when he is in the White House but whenever he travels about during working hours. Because of the close contact we maintain I am more aware of symptoms than if I were treating the average patient.

Do you see him daily?

Yes, he stops in almost every morning before he goes to the Oval Office.

And a White House physician is always minutes away from the President?

Yes, except when the President goes to the family quarters to retire for the night.

No doctor is on duty at that time?

That is right. Only if the President were to have a health problem requiring it.

Would you consider Mr. Ford a good patient?

Most certainly. He is well aware of the importance of good health.

I suppose you are anxious—from a health standpoint—to have a new pool installed at the White House so the President can swim there.

Oh, yes. During the first few days after he became President, when he was still living in Alexandria, I could see the beneficial effects of a swim in the morning and again in the evening at the end of a busy day. It was regenerating and invigorating.

Is the President's golf game a good substitute for swimming?

Of course golf is good. When the President plays at Burning Tree he walks the 18 holes; he doesn't use an electric cart.

Aside from swimming and golf, what kind of exercise does Mr. Ford take?

Every day, he does exercises with weights to strengthen both knees, which have previously been operated on. He also uses an exercycle.

Mr. Ford has enjoyed skiing in Vail, Colo., where the Ford family owns a condominium. Do you think it's too dangerous for him to continue skiing now that he's President?

No. He obviously enjoys these vacations with his family and he also enjoys skiing. He is quite capable of conditioning himself. He prepares himself with knee bends and other exercises that skiers do prior to skiing.

Certainly there is always a potential hazard in skiing. But the advantages to his overall well-being would offset whatever risk is involved. He's well-equipped physically and mentally. It's not like leaving a sedentary job and going out on the slopes.

Will you or one of the other White House physicians be present when he skis?

Yes. But Vail has probably the best medical capability anywhere for assisting skiers.

How about Mr. Ford's weight? Is it at the level you would like?

Well, near the end of his Vice Presidency he was doing a lot of traveling and was placed in the position of attending a lot of banquets. He did gain more weight than he was accustomed to. He likes to be around 200 but was up to 210 or 212. I would like to have him hold at about 195.

Where does he stand today?

He's responded very nicely to a very simple calorie-reduction diet.

What is a typical workday for the President?

He generally rises at six in the morning and does his 15-minute exercise program. Then he has breakfast in the family quarters and reads until he departs for the office about a quarter of eight. On a typical day he will remain on the job until about seven when he goes upstairs for dinner.

The President is working a long day.

At least 12 hours. As I said, after breakfast—about 6:30 or seven—he does some reading. He will generally cross my door between 7:30 or eight, and we talk for a few minutes. Then he goes to the Oval Office.

I will see him every morning if there aren't any evening sessions. But, as you know, there have been two or three receptions or dinners a week, which means he stays active until sometime around midnight.

Isn't that a rather rough pace to maintain?

The President seems to thrive on it. It doesn't bother him.

How much sleep does the President get?

About six hours.

Do you recommend warm milk or anything to help him sleep?

He doesn't need it. The President is very capable of carrying on this kind of schedule, which I understand is similar to that he carried on for 25 years in Congress. Sometimes the President may sleep in on Saturday and get seven hours of sleep.

He has a capability for relaxing when he's away from the office and can spend time with his family. If he's playing golf he can concentrate on golf. He doesn't carry the burdens of the Presidency with him. The President also has the knack of catnapping on trips—on planes—and in 15 or 20 minutes he is completely refreshed again.

Do you have any rules for the President when he's flying?

Obviously, sitting in one position for a period of time affects circulation. Jet lag is a situation anyone traveling has to contend with. Hopefully, when the President takes long trips, the flying will be arranged so that he'll have a lot of rest stops along the way.

Do you recommend a change in diet when he's traveling?

No. He follows his regular diet very closely—a diet we both agreed to. The President enjoys eating, and for that reason his meals are restrictive.

How do you discourage the Presi-

The Patient Is the President *continued*

dent from overeating foods that are on his diet?

His meals are served to him separately so he doesn't have an opportunity to select from a serving platter.

So family-style eating is out?

Yes.

Does Mr. Ford select his own meals within the diet?

We give him a menu that allows the White House chef to select a variety of foods.

President Nixon used to get by with cottage cheese and ketchup for lunch. How about Mr. Ford?

President Ford has cottage cheese, too. He can have salads also, and a dish of fresh fruit or ice cream. Quite frequently he likes Bermuda onion slices with his lunch. And then he usually has ice cream, probably to cut the taste of the onion.

Any cholesterol problem?

No.

The President smokes a pipe. Do you object?

No. He asked me about it and I don't object. It seems to me it's a good way for him to relax and gather his thoughts. He doesn't smoke to an extent I think would be a real hazard to his health.

If it were, would you say so?

That's right.

In all his years in Washington as a Congressman, and more recently as Vice President, Mr. Ford continued to visit his own dentist in Grand Rapids. Will the Michigan dentist now come to the White House?

No, the President will use a dentist from one of the military services assigned to the White House. But we may still call on the Grand Rapids dentist as a consultant.

How's the President's eyesight?

Well, he wears glasses for distance, mostly when he's playing golf. He's nearsighted.

Because of the volume of reading he must do, do you recommend that he get up from the desk occasionally, walk over to the window, and rest his eyes?

No, it has not been necessary.

Is the President a speed reader?

Apparently so, when you consider how much he reads. He even reads when he is driven about in his car. He has found how to make maximum use of his time.

Is any of his reading for pleasure?

It's almost totally serious reading.

Would you like to see him cut back his public appearances? He's been honoring commitments he made when he was Vice President.

The high responsibilities of this job require a total commitment to his constituents which include all citizens of the country. I would hope his staff would use good sense in scheduling his appointments.

Do you have any advice for business executives who maintain work schedules similar to Mr. Ford's?

It would be to try to acquire the President's capability of totally relaxing when he's out of his job stress atmosphere. In his case, he does this best in the confines of the home environment. And, of course, by swimming and golfing. These are things that are pleasurable to him, that divert him from his work.

From the standpoint of mental and physical well-being, would it be better if a President were of a reflective nature—a man who likes to take himself away from everything to think—rather than one who likes to meet with people morning, noon and night?

It's a matter of individual styles. Each President sets the pace that best fits his style.

Dr. Lukash, since you accompany the President whenever he is out of the White House, how do you carry out your role at—for example—a cocktail party?

Well, I try to be as unobtrusive as possible. I stay close to the President, but not in such a way that I would stand out.

Everybody thinks I'm a Secret Service man. END

LESSONS OF LEADERSHIP

PART CXIV

William B. Johnson of IC Industries

New routes for a railroad man

One day not long ago, the milkman who delivers to Mrs. Mary Johnson's home in a Chicago suburb where prominence is common exchanged hello's with the man of the house and then asked her: "Is that really Mr. Johnson? He seems like such an ordinary guy."

A secretary for whom William B. Johnson steps aside while getting into an elevator in his office building downtown, or a clerk brushing past on a crowded sidewalk as Mr. Johnson heads for lunch at a club in a building a few blocks away, might ask the same question.

But this polite, unobtrusive man of middle age, middle height and conservative dress is no ordinary guy.

Bill Johnson has headed Illinois Central Industries, Inc., since 1966—transforming it from a railroad company with gross revenues at the $300 million level to a diversified enterprise with revenues four times that high (and with net profits which last year reached a record $58 million).

When he took over, IC Industries, as it calls itself for short, was a holding company with just two holdings: Illinois Central Railroad and a small firm that made equipment for locomotives.

Today, it also has a flock of other subsidiaries, and subsidiaries of subsidiaries, that go far afield. Among the former: Midas-International Corp. (the muffler shops, etc.), Abex Corp. (once American Brake Shoe, it makes equipment for a variety of industries), Dad's Root Beer Co. (its product goes to more than 160 franchised bottlers) and Lincoln Financial, Inc. (its largest subsidiary is Lincoln Liberty Life Insurance Co.).

Just as Mr. Johnson has transformed the parent company, he has transformed the railroad. Thanks to a merger with the Gulf, Mobile & Ohio, the Illinois Central is now the Illinois Central Gulf, which operates 9,700 miles of line from the Great Lakes to the Gulf of Mexico.

The railroad is a money-maker, though not enough of one to satisfy the boss. Transportation brought in more than 45 per cent of IC Industries revenue last year, but less than 33 per cent of earnings.

Bill Johnson, son of a Maryland Court of Appeals judge, was born in Salisbury, Md., 55 years ago, into a family that, as he puts it, "goes back forever" on the Eastern Shore—rolling farming and fishing country between the Chesapeake Bay and the Atlantic. (His middle initial stands for Benjamin—"which made it 11 generations of Ben Johnsons in the family," he says. The total now stands at 12—his first son's first name is Benjamin.)

He graduated *maxima cum laude* from Washington College in Chestertown, Md., then earned a law degree *cum laude* from the University of Pennsylvania. It was at law school that he met his wife, one of five women out of 130 students in his class. Mrs. Johnson, a Camden, N.J., doctor's daughter, practiced law early in their marriage but gave it up years ago.

After service as a Security Intelligence Corps plainclothesman during World War II—checking for security risks among military personnel Stateside—Mr. Johnson worked for a U.S. Tax Court judge in Washington and then, in 1947, joined the Pennsylvania Railroad as an assistant solicitor. He moved up the ladder to as-

PHOTOS: ARNOLD ZANN—BLACK STAR

William B. Johnson *continued*

sistant general counsel at the Pennsy and in 1959 was unexpectedly elected president of Railway Express, then owned by railroads throughout the U.S.

Bill Johnson did well at Railway Express and received offers of top posts at a number of other companies. One was Illinois Central, which wanted a high-caliber man who would help it not only to run a better railroad but to diversify, and where, he says, he saw "a great deal of potential." He became president and chief executive officer and, two years later, chairman as well.

Since leaving the East, he has decided that Chicago is his kind of town. "It is the greatest businessman's city in the country," he says, citing a "very strong" civic uplift spirit among local business leaders.

Translating spirit into action, he has led his company into the launching of Illinois Center, a developing 83-acre complex of parkland and towering commercial and residential buildings (most of them joint ventures) along Lake Michigan. The company stresses that the Center, replacing obsolete railyards and warehouses, brings new life to Chicago's downtown and enhances the lakefront.

William B. Johnson's wife, a nonpracticing lawyer, often offers views on business matters. He often helps around the house.

The Johnsons, who have four grown children, live in a two-story house they had built in plush Lake Forest when they moved to the Midwest eight years ago. Next door is the home of Stanley E.G. Hillman, IC Industries' president—Mr. Johnson gave up that title in 1972—and chief operating officer. Mr. Hillman, whose home was built about the time the Johnsons' was, and who got to know Mr. Johnson as a neighbor, left another company for IC's executive ranks in 1968.

Mr. Johnson takes a commuter train (not his own railroad's, which has a Chicago commuter line but serves another area) to his office in No. 1 Illinois Center. He puts in full days there, and has managed only one vacation in many years. But he finds plenty of weekend time for that avocation of so many big businessmen, golf.

Golf has played an important role in at least one high point of his career, as the following interview with a NATION'S BUSINESS editor reveals.

Thinking back, what has been the most dramatic thing that has happened to you in the business world?

Well, I guess the biggest shock was my election as president of the Railway Express Agency, but about the most exciting incident—I should say, series of incidents—involved the merger with the Gulf, Mobile & Ohio.

A railroad merger was one of the objectives of the company when I came here, and there had been discussions with the GM&O long before. They had come very close, but Glen Brock, who was president of the GM&O, and Wayne Johnston, our chairman then, just couldn't get together on the deal.

Anyway, the same merger looked like the thing to do, and I had to get to know Mr. Brock. That took quite a little bit of time. It's a personal thing, turning your railroad over to somebody else after you've spent your life in it.

Mr. Brock was approaching 70, and his board had suggested that he slow down—he liked to water ski, for example—but we got to playing golf together.

We also got to having discussions about a merger, and I would write him letters about it. I could see a little progress. Finally, we got an offer to the table in terms of so much of a share of $6 preferred for a share of their common. But the question was: How much of a share of preferred would we give them?

Mr. Brock was up at nine tenths and we were down at six tenths. I talked to him every once in a while and we got it narrowed down a little bit, but not much.

How was the impasse broken?

One day we were talking on the telephone, and I said: "Glen, I had a very good day Saturday. I had an

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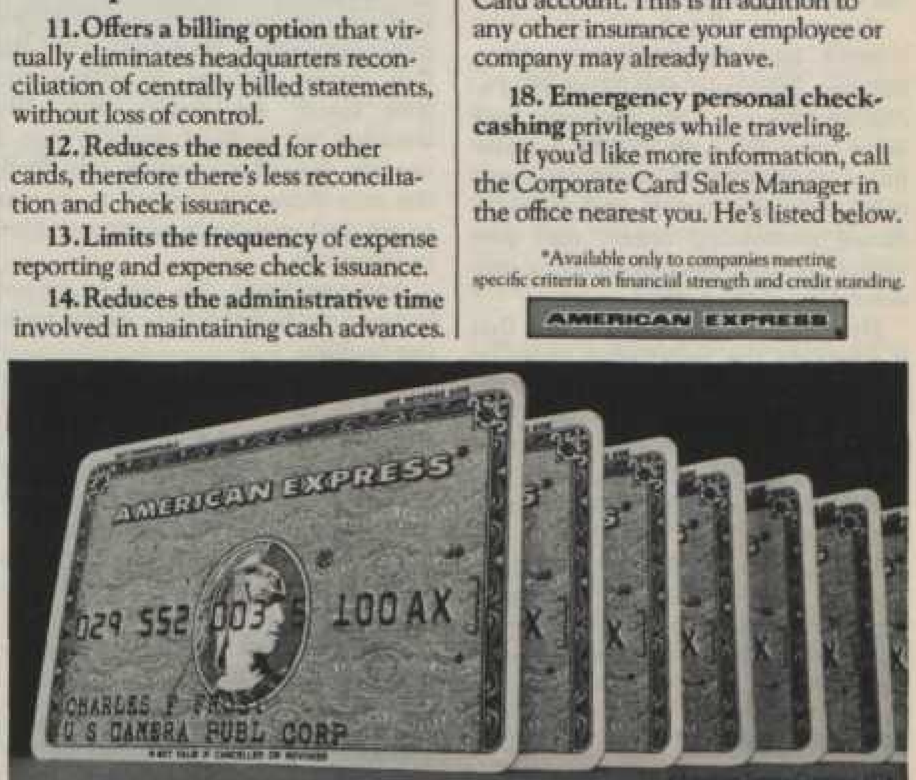

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85." We always exchanged golf scores.

He said: "Golly, that's good, Bill. I hope you can get to 75."

I told him: "I'll never do that." I said goodby and then I began to wonder: Why did he say 75?

So I called him back and said: "Glen, do you have any particular thing in mind on that 75?" He said: "I wondered if you'd think about that." I said: "You want to make a deal?" He said: 'If you think you can go 75." He meant 75 hundredths of a share of preferred.

And I said: "O.K., that's a deal." So we submitted the deal to our boards, and they approved it; and later, the shareholders approved it.

That was that for the merger?

Oh, no. Four years passed while the Interstate Commerce Commission was considering it. We finally got ICC approval on my birthday, Dec. 28, in 1971. It had been on my birthday in 1967 that we had signed the merger agreement in the office of the Governor of Mississippi.

But it wasn't over, yet.

We'd had no public opposition, but two railroads, the Missouri Pacific and Kansas City Southern, took us to court. On Aug. 9, 1972, a three-judge district court panel dismissed each railroad's appeal and also dissolved restraining orders that prevented us from merging pending consideration of the appeal.

Normally, when a court does that it dissolves the restraining order on 15 days' or some other period of notice to permit appeal to the U.S. Supreme Court. This time, the court didn't—it simply dismissed the appeals and dissolved the restraining orders.

When I heard that on the telephone I said: "O.K., get everybody together. We are going to merge before they get to the Supreme Court." And we did.

How did you do that?

That night I got Mr. Brock, who was headed to St. Louis from Mobile for a board meeting, off the train and to a telephone. I said: "Glen, we've got a free shot. If they go to the Supreme Court, who knows how long it's going to take? At least a year, maybe longer. Let's merge tomorrow."

And he said: "Well, you'd have to do a lot of things, wouldn't you?" I said: "No, you don't have to do anything. Just get ready to merge." And he said: "How are you going to get your board?" I said: "You've got your board, meeting tomorrow. I'll get mine, don't worry."

We flew people into Chicago and we got our lawyer off an island in Maine and down to New York. And by golly, the next morning we had a board meeting here in Chicago and Mr. Brock had one in St. Louis. We kept the telephone line open and we had the lawyer on the way with documents ready to be signed.

Once they were, we sent the new merger certificate by messenger from New York to Dover, Del.

Why there?

The Illinois Central Gulf, the new railroad, is a Delaware corporation and the certificate had to be filed in the state capital.

So we had all these things done and we had an agreement that if a notice of appeal was filed with the U.S. Supreme Court, or with a district court, we would stop. We wouldn't try to shoot our way into a merger. But if no notice was filed, the only thing we had left to do was to get that certificate of merger filed in Delaware.

And you know, the messenger got lost and we had the state police looking for him.

He took the train to Wilmington, rented a car and started to Dover. And we knew that a notice of appeal could be filed at any minute and terminate our whole merger process. And we just hung by our fingernails.

Finally, that guy showed up out of nowhere. He put in a call and said: "Well, I filed it."

And that's the way the merger was made—about 1:30 p.m.

If the other side had moved faster, that wouldn't have been possible?

We would have been blocked because there would have been a stay and we'd have had to wait until the Supreme Court ruled.

They never thought you would move so fast?

They were asleep for one day. The next day, all hell broke loose. They screamed that this was unfair and they had us called down before a judge on a hearing to undo the merger. And we said: You can't. Twenty-two things have been done that you can't undo.

You didn't consider it unfair?

Listen, we played by the rules of the game. They had used those rules to block us for over four years, and I knew the rules too.

In a recent speech, you said railroads "may be entering a new age of public usefulness and business opportunity." What did you mean?

Three national policies tend to favor the increased use of railroads. One is to conserve energy, another is to avoid pollution, and the third is to make constructive use of land.

Railroads are efficient users of energy, they do not pollute very much compared to others and they do not need additional land in order to carry more freight.

Statistics indicate railroad ton miles were up about 10 per cent last year and about 5 per cent in the prior year. This shows a rising demand for rail service. So railroad growth would appear assured, as far as volume is concerned. The crisis is whether the increase in volume can be accompanied by an increase in earnings adequate to produce the necessary capital investment.

The railroads should be investing $4 billion to $5 billion a year, but they're actually investing less than half that. This quite obviously is not enough. We have had a freight car shortage for two years. The condition of the roadbeds, the whole business of replacing worn-out plant and equipment, requires more investment.

Do you think government money is needed?

In 1973, the federal, state and local governments invested $29 billion in transportation facilities and services. Of that, about one tenth of 1 per cent went to the railroad industry. There is simply no way that the industry can meet its capital needs from the private enterprise markets while its competitors are re-

ceiving something like $28.8 billion a year to build highways, waterways, airports, etc.

If the federal government can finance airports, why not terminals for railroads? Or better roadbeds?

Not only is government financing needed, but there must be substantial reform of federal regulatory and taxing policies if we are to avoid nationalization of railroads. We simply have to get with it. The problems of the bankrupt Penn Central are not basically much different from those of other railroads—the Penn Central just had all of the industry's problems, and many railroads have only some of them.

What is the basic reason for IC Industries wanting to diversify?

As I've indicated, the railroad business' financial characteristics are such that diversification is an obvious protection for the shareholders. For example, railroading is labor-intensive and capital-intensive. Return on investment has been low and government regulation has been very complete and in many instances quite restrictive.

This is why we have pursued a policy of changing our composite characteristics—without really diverting attention from the railroad.

How do you go about deciding what companies to acquire?

Well, you don't just acquire to acquire. You acquire a company for a specific reason: Either it complements something you have, or it has characteristics and sufficient size to make the effort worthwhile.

How do you learn which companies are available?

In many ways. It's surprising how often there are circumstances inside a company which indicate a marriage would improve its position as well as your own. And, of course, that's the ideal circumstance.

There are brokers, though I think a small percentage of our acquisitions come from brokers. Also, you try to be active in the financial community, in the business world, and you hear about these things.

The best way to have possibilities brought to your attention is to do some acquisitions, and do them successfully and harmoniously.

Mr. Johnson's current golf handicap is a nothing-to-be-ashamed-of 13. In addition to golfing, he plays tennis.

Of course, we have a manager of acquisitions and he has a file which constantly changes and usually has 30 to 40 companies in it.

How important in your thinking process is the management of the company to be acquired?

It's almost a prerequisite to a deal. We do not have a cadre of professional managers sitting here waiting to walk in and manage an acquisition.

We might make one or two changes, but usually if you have to change the top man you have to change a lot more. So we, as a general proposition, do not want to acquire a company unless we are satisfied that the management can carry on its business.

One corporate activity of which you are particularly proud, I understand, is the development of Illinois Center. Why is that?

Well, I'd like to say first that we are not suggesting this is a charitable undertaking. Good service and good profits should go along together. One will lead to the other.

But there's more than profit involved here. By and large, we are a Chicago company. We own a great deal of real estate here. We have a lot of people here. We have a tradition here. Chicago is a city where businessmen are accustomed to making civic commitments. It is expected of a businessman that he do his part in municipal enterprises—he is expected to be a good citizen. I would say there are 200 or 300 businessmen here who carry a great percentage of the life of the city on their shoulders.

Anyway, when you own a lot of real estate here as we do, you have a responsibility. We want to look back someday on what's being done here and be able to say: "We have been responsible for altering the life of part of the city. For the better."

We recently created for Illinois Center a group of public citizens from various parts of the nation, each of them an expert in some phase of municipal development, and we hope they will assist us in planning that will improve the quality of life in this city where we live and work.

You mentioned earlier that your election as president of Railway Express was your biggest shock. Why was that?

Because I really didn't expect it. I was a young lawyer, 41 years old, and it was a great surprise to me when I was elected.

The board of directors of Railway Express, which was then owned by 57 railroads and is now an independent company, had a meeting in Washington and I was there as counsel to the Pennsylvania Railroad representative on the board.

One of the items on the agenda was consideration of a new chief executive. A lot of people were considered and, for one reason or another, nobody was elected.

The meeting adjourned and re-

William B. Johnson *continued*

sumed again. Then the Pennsylvania Railroad man came to me and said: "I talked it over with the other directors and they elected you president."

I said: "Wow!"

Why did they choose you?

I had written a book on what should be done with Railway Express—I was on an Eastern railroads committee that discussed its future—and I guess that's what got me the job.

Plus the fact that the business had lost $38 million the previous year and they really didn't have anybody else to do the job. I took it on a six-month trial basis, and we made enough progress for me to take it on a permanent basis. We became profitable.

It was a great opportunity for me to learn the problems of managing a very difficult business. And if it hadn't been for that experience, I certainly wouldn't be here talking to you today.

In 1973, Mr. Hillman, IC Industries president, was given the title of chief operating officer, with you remaining chairman and chief executive officer. What was the reason?

The concept of the office of chief executive is receiving a great deal of study at many companies.

We have two people at the top. Mr. Hillman is my alter ego. He has long management experience, some of it in very difficult companies—he is a very experienced professional manager.

I'm primarily working outside now, while he's primarily working inside. I've used a handy phrase to describe my role: "Mr. Outside."

As "Mr. Outside," you have to do many public things such as making speeches, appearing before legislative committees, being interviewed like this, and meeting with securities analysts. Do many chief executives find themselves unprepared for that sort of thing?

I'm sure this requirement is well known to boards of directors today and they take it into consideration in selecting people to fill the top job.

But a few years ago a lot of people were elected to the top in their companies without really having the training for, or anticipation of, this critical part of the job. Probably, some still are today.

I am used to talking. I am used to thinking on my feet and out loud. I don't mind testifying before a regulatory agency or Congressional committee.

A lot of people are petrified at that. I'm very sympathetic to the chief executive who works his way up with great success in operating a company and finally gets to the point where he really can't do anything about operations without destroying his staff organization, and where he suddenly finds he has many jobs that he never really bargained for. It must be tough.

What kind of qualifications, in addition to being able to handle public appearances, fit an executive for a job such as yours?

Well, I guess you need a large dose of humility. And, probably, experience in finance and law as well as management. Ability to handle people, including evaluating them and developing them, is a very big factor.

Then there is perspective—I have to think in long-run terms—and the ability to carry responsibility.

Even though they may work closely together, there is a long difference between being the top man and the second man. As the top man, never for one minute do I feel that I lose responsibility for everything in this company.

Look at this schedule. Some of the things on it are very difficult. And you lose some as well as win some. However, of all the things here, there isn't anything I don't enjoy.

I asked for the responsibility, I'm paid for it—and I delight in it. I love to come to work. END

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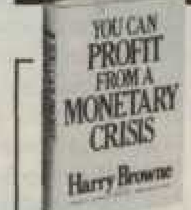

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3-21-11

How to Take a Mini-Sabbatical

Extended vacations can be broadening—and more and more Americans are finding the time for them

Broader experience helps company

DRAWINGS: CHARLES A. DUNN

George Henry has a dependable managerial job with a business machines firm in Boulder, Colo. But for six months in 1972, he was not on the job for a single day, although he received his regular paycheck each week. Instead, he was pursuing an ambition of several years' standing. Namely, to apply his abilities and training in business accounting to help his community weather a serious financial crisis.

Melville Park is an industrial relations specialist for an Eastern telephone company. Not long ago, he returned from what he describes as "an immensely inspiring" nine weeks of tramping the mountains and valleys of the East Coast studying bird life. While indulging in an avocation that dates back over 25 years, he received full pay and other compensation from his company, as well as a modest grant from a wildlife foundation.

Carolyn Jones is on the executive ladder at an insurance corporation in St. Louis, Mo. Last year, she spent four months in southern California. There she completed a course in casualty insurance, to earn a promotion, while at the same time enjoying plenty of leisure in the sun. During this extended period of leave, she got 75 per cent of her regular salary, plus half the cost of her tuition.

James McManus is a troubleshooter for a public utility company in the South. Twice during the past five years, he has engineered vacations of almost three months at crucial times when the constant pressures and responsibilities of a demanding job seemed about to overwhelm him. Yet, he did not have to apply for sick leave, take a reduction in pay or lose any of his on-the-job seniority.

These four did not work any particular sleight of hand to attain their goals. They did not have lots of seniority. They didn't earn special favors by superior performance. Nor did they claim hardship or personal problems. Rather, they used one or more of the vacation leave alternatives that some companies now offer employees.

Business is looking with increasing favor on the long-term sabbaticals traditionally available only to educators and members of a few other professions. Time, Inc., for example, followed the lead of the academicians when it instituted a sabbatical program based on length of service in the mid-1960s. In 1972, Xerox Corp. launched an experimental program of one-year leaves, with pay, for employees taking part in worthy social service projects.

A number of major banks, including Chase Manhattan, have come out in favor of managers and other key employees taking off one year in seven to "deepen their insights with regard to social relationships."

From the run-of-the-mill worker's viewpoint, a significant breakthrough occurred in 1963, when the United Steelworkers negotiated contracts that give blue collar employees a 13-week mini-sabbatical every five years.

But the movement to sabbaticals—either long-term or mini—has been slow. There has been formidable resistance to the idea—for one thing, there are touchy problems in administering programs of extended leaves.

So in most cases, it's pretty much up to the individual to use his initiative, imagination and foresight to package his own extra helping of vacation time. More and more Americans are doing just that—setting up their own mini-sabbaticals.

Although a few of these extended vacations are used as safety valves, to help individuals to relax after lengthy periods of arduous, hazardous or extremely responsible duty, most have some creative or educational objective:

The lawyer who spends three months learning how to improve the environment; the bank vice president who seeks personal enrichment through 10 weeks in a summer art colony; the women's clothing retailer who goes abroad to study fashion design for an entire season.

In this respect, the do-it-yourself substitute pretty much reflects the three main objectives of the formal sabbatical that it imitates:


MACHINERY
ATMOSPHERES

How to Take a Mini-Sabbatical *continued*

To further one's education; to contribute to a social service project; to join an exchange program with the government or some other organization.

If you're a chief executive with a good right-hand man, arranging a mini-sabbatical for yourself should be no trouble in many circumstances.

But what to do if you're lower on the ladder, and not employed in an organization offering true sabbaticals? Try one of these substitutes:

- *Schedule two vacations back to back.*

This is the December-January plan where you line up one vacation at the end of the year, immediately followed by your next year's allotment. Adding on the holidays at Christmas and New Year's, you can end up with a large chunk of time for travel, skiing, projects with your family or other activities. Some companies discourage back-to-back vacations, but if you can come up with a convincing reason for wanting this arrangement, you might overcome the objections.

- *Request an educational leave of absence.*

More and more organizations are encouraging employees to take leave to study subjects that will improve their job performance or make them eligible for promotion or reassignment. The idea of sharing is evident in most such programs. The employee may sacrifice part of his salary while off the job, but in return the company often picks up part of the tuition.

You stand the greatest chance of being granted a leave if you can convince superiors that the course proposed will not only help you but eventually help the company. Generally, there is a pattern of precedents to guide you in the choice of courses. Still, don't be afraid to suggest an offbeat program, if you have a sound argument for taking it.

- *Look into exchange programs.*

More than ever before, organizations are swapping people, typically for a year. Among some recent examples:

A middle-management executive assigned for 12 months to the office of the mayor in the city in which the company is located; an executive secretary "loaned" to the county community relations board for six months; a chemicals engineer in a refinery exchanged with an analyst in a bank, so each could broaden his experience for future work in industrial planning; a computer programer authorized to go on leave to teach for two semesters at a business school.

You hear frequently of top-level people who are loaned by large corporations to the federal government and temporarily transferred to Washington. This kind of give and take is occurring more and more often in lower-echelon jobs as well.

- *Consider the "railroad-train" arrangement.*

When you can't put your finger on any single company policy that would permit you to enjoy a mini-sabbatical, see how many separate leisure-time units you might couple together. The starting point, naturally, is your regular vacation. Could you also add a couple of weeks of "educational leave," with some reduction in salary? Or one or two weeks of "personal business" leave at no salary? An accumulation of weekend or holiday time when you worked without overtime pay? Bonus days for having served with the company for many years? Some floating holidays or religious holidays that you can join to your vacation?

Can be a safety valve

You might be surprised at the number of weeks you can string together in this manner.

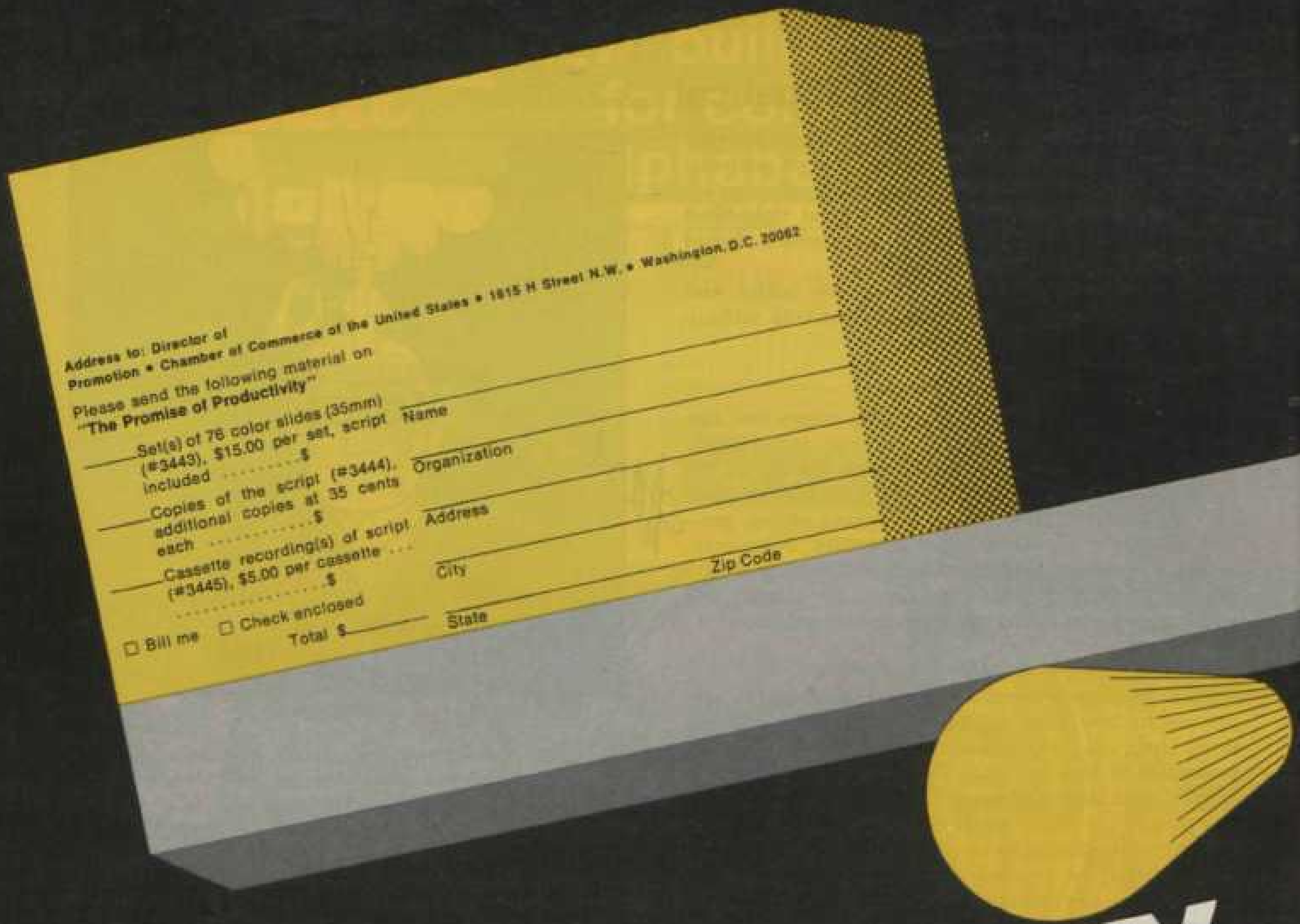
- *Turn a leave of absence without pay into personal profit.*

Most organizations, especially publicly owned corporations, have clear-cut policies about leaves of absence without pay, which they must spell out in writing to their employees. There is always a maximum period (typically three to six months) when you can be absent without forfeiting retirement and other fringe benfits, seniority and the right to return to the position you left.

The policies usually restrict income-producing activity only if there is a conflict of interest, as in working for a competitive firm. They would not be likely to restrict such activities as writing articles or a book, teaching at any level, conducting a small business at home or working for a nonprofit organization in some field of civic improvement.

Your rewards may, of course, take on other dimensions besides money. —WILBUR CROSS

REPRINTS *of "How to Take a Mini-Sabbatical" may be obtained from Nation's Business, 1615 H St. N.W., Washington, D.C. 20062. Price: One to 49 copies, 50 cents each; 50 to 99, 40 cents each; 100 to 999, 30 cents each; 1,000 or more, 20 cents each. Please enclose remittance with order.*



PRODUCTIVITY:

Have

WORKING SMARTER, NOT HARDER

"Productivity! That's a dirty word around here."

And indeed it is, in many circles today. Yet high productivity is fundamental to the American private enterprise system.

The new slide show, "**The Promise of Productivity,**" explains how productivity has meant the difference between the affluence of the United States of America and the low standards of living endured by many people in the world.

The slide presentation emphasizes that increasing productivity means getting a job done in a shorter length of time. It does not mean working harder, nor working longer hours. What it does means is "working smarter."

The presentation explains how the pay of a worker increases as productivity increases. And conversely, it shows how individual, as well as national, prosperity tends to diminish when productivity levels off.

The show examines America's plight today. Many of our tools are too old to keep us competitive in the world of the 1970s and 1980s. Other countries, primarily Japan and Germany, have gotten the jump on us. We must make a major investment in the modernization of our tools for production if we are to regain our economic leadership and maintain our outstanding level of prosperity. Of special importance is the avoidance of government roadblocks to tool modernization.

Productivity is far from the dirty word some claim it to be. On the contrary, productivity benefits all Americans.

This is the message for Americans everywhere, told simply and clearly in "**The Promise of Productivity.**"

The new 12-minute slide presentation, "**The Promise of Productivity,**" is a teaching tool for business.

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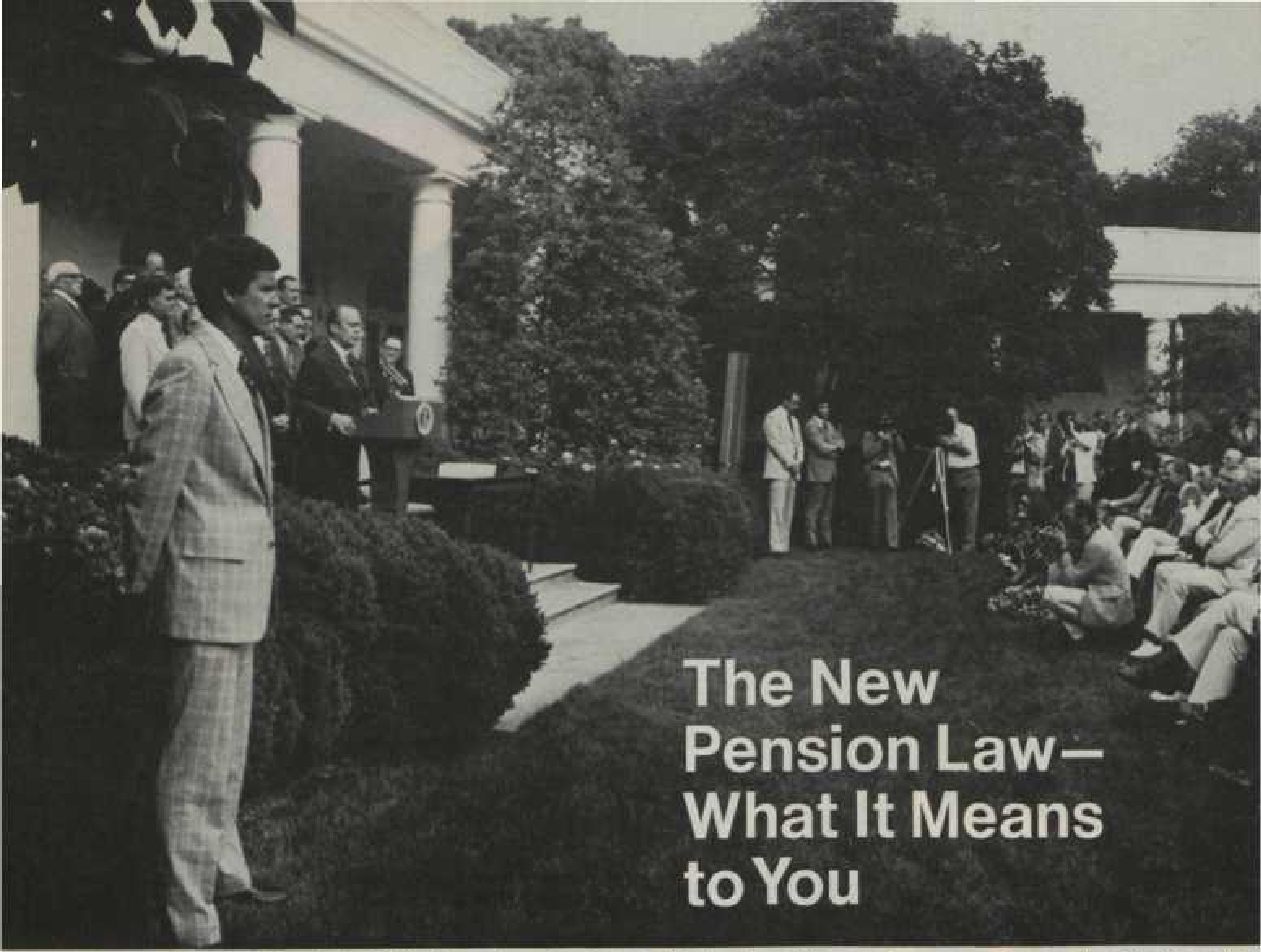

The New Pension Law—What It Means to You

Speaking in the White House Rose Garden just after he signed the massive new pension law, President Ford told

You'll undoubtedly have to confer with experts on this complex subject, but here's a primer that should be helpful

At 11:40 a.m. on Labor Day, President Gerald R. Ford seated himself at a small table on the long portico facing the White House's sun-drenched rose garden and penned his signature on a four-inch-thick document.

Then, while some 200 invited guests watched, the hands that had centered the football for the University of Michigan in the 1930s flipped through the ponderous volume as if it were an oversize deck of cards. And the President, contemplating the Employee Retirement Income Security Act of 1974, smiled in what appeared to be awe.

After a few Presidential remarks, followed by the handing out of pens, the gathered dignitaries drifted back behind the line of television cameras and quenched their thirst with lemonade and iced tea.

Obviously, for labor leaders present it was a gratifying day; but for employers the future wasn't as rosy as the garden.

The new law, commonly known as the Pension Reform Bill, is massive (208 pages), complex and highly technical.

It affects practically all employees covered by some 1.8 million private employee benefit plans now in existence and those who will be covered by new ones that will be formed. Approximately 350,000 of the plans provide retirement benefits covering an

WHITE HOUSE PHOTO

assembled business, labor and political leaders it was landmark legislation.

Mr. David Hume Kennedy

estimated 35 million employees. The remainder offer such benefits as health and accident coverage.

The law doesn't require an employer to establish plans. Nor does it apply to all retirement plans (see box: "Who's Exempt"), though it applies to most other benefit plans. It repeals the old Welfare and Benefit Plans Disclosure Act.

Briefly, where pensions are concerned, what the new law does is provide complicated rules on *eligibility*—when an employee must be allowed to participate in a plan; *vesting*—how many years it takes an employee to earn a right to a pension; and *funding*—how much money must be paid into a plan and when.

On top of that it sets up a new system for guaranteeing pensions when a plan terminates, even if there's not enough money in the plan. Then there are all kinds of limits on how big contributions to pensions can be, both for individuals and in the aggregate, and new limits on how large a pension can be paid.

There are required reports to participants, and to the Labor Department and Internal Revenue Service. Also, there are tough new fiduciary standards outlawing various forms of investment and party-in-interest transactions. The reporting and fiduciary standards apply to both pension plans and to other employee benefit plans.

Rules for sole proprietors, partnerships and Subchapter S corporations—small corporations whose shareholders elect to pay taxes as partners—have been liberalized. There is even a provision for an employee who is not covered by any plan to set up his own plan. (See box: "Keogh-Type Plans.")

Due to the complexity of the law, it appears that every employer with a pension plan will have to sit down with his pension experts and check the plan item by item against the new requirements.

And time for compliance, in some instances, is critical. The Act, although signed on Sept. 2, has some retroactive provisions reaching back to Jan. 1, 1974, and a timetable that could extend until 1981 or later. (See box: "Compliance Calendar.")

Here are some basic provisions for corporate retirement plans:

Eligibility. The law generally requires that a person be eligible to participate in a pension plan when he is 25 and has worked for one year (in which he puts in at least 1,000 hours). But it permits exclusion from participation of anyone who starts a job within five years of the normal retirement date set in a defined benefit plan.

Vesting. Plans must have one of three options—100 per cent vesting after 10 years; graded vesting of 25 per cent after five years, 5 per cent more annually for the next five years and 10 per cent for each of the last five years, to reach 100 per cent at the end of 15 years; or rule-of-45 vesting, which means that an employee whose age and years of service add up to 45—or any worker, regardless of age, who has put in 10 years of service—is 50 per cent vested and that 10 per cent is added by each additional year of service. Once vested, the employee has a right to receive a pension at re-

tirement age, based on his years of covered service, even though he may not be working for the firm at that time.

Plans must offer a joint and survivor benefit that gives a surviving spouse at least 50 per cent of the pension benefit.

Funding. The law requires the employer to fund annually the normal costs of a plan. Plans in existence on Jan. 1, 1974, will have to amortize existing liabilities in 40 years. For new plans, or improvements to existing plans, past service liabilities will have to be amortized in 30 years. Net experience losses must be amortized in 15 years. Multi-employer plans get a better break—40 years for plan improvements and 20 years for experience losses.

Fiduciary. The Act establishes strict federal standards on fiduciaries and expressly prohibits certain types of conduct and transactions. Most fiduciary standards take effect on Jan. 1, 1975. However, if some prohibited transactions were already in effect on July 1, 1974, they may not be subject to the Act for up to 10 years, provided they meet certain fairness rules.

A plan can't hold more than 10 per cent of its assets in the employer's securities, but if it now does it has up to 10 years in which to divest. This provision does not apply to profit-sharing plans, if the holding of such assets is spelled out in the plan.

Disclosure. The Act calls for extensive reports about pension and employee benefit plans, regardless of size. These reports, on how plans operate and on their financial condition, go to the Secretary of Labor.

A detailed plan description must be filed within 120 days after Jan. 1, 1975.

A summary plan description, understandable by the average participant, is due at the same time as the detailed plan. It goes not only to the Secretary of Labor but to each participant. It must clearly inform the employee of rights and obligations.

An annual report must be filed with the Secretary of Labor within 210 days after the end of the plan year. Certain portions must be furnished employees. Required information will include financial statements and schedules, actuarial information and other details.

The plan administrator must retain an independent, qualified public accountant to prepare or examine the financial statements, and an enrolled actuary to prepare the actuarial statement. Plan descriptions and annual reports are public information and will be available for inspection at the Labor Department.

Enforcement of the Act. The Labor Department's Labor-Management Services Administration is responsible for enforcing the Act's provisions pertaining to disclosure and fiduciary standards. Civil penalties are authorized and, in addition, criminal penalties apply to disclosure violations.

The Internal Revenue Service has primary initial enforcement responsibility regarding vesting, funding and participation standards. Thereafter, there may be joint administration by IRS and Labor.

The Secretary of Labor has subpoena powers identical with those of the Federal Trade Commission, and his agents may enter employer premises to conduct investigations where there is reasonable cause to believe a violation may exist.

Pension Benefit Guaranty Corp. A federally chartered insurance corporation has been established by the Act in the Labor Department to guarantee pension plan participants will receive their vested benefits.

Chairman of the corporation's three-member board of directors is the Secretary of Labor. The other directors are the Secretaries of Commerce and Treasury. They will have a seven-person advisory committee, appointed by the President, consisting of two representatives from labor, two from management and three from the general public.

The Pension Benefit Guaranty Corp. is authorized to borrow from the Treasury, but should be entirely self-financed through premiums paid by insured plans—generally, plans

KEOGH-TYPE PLANS

Self-employed persons who have H.R. 10 (Keogh) pension plans get a bigger tax break on money they put into the plans under the new Employee Retirement Income Security Act.

In the past, the self-employed could place 10 per cent of gross earned income, or a maximum of $2,500, into an Internal Revenue Service-approved account annually. That's now raised to 15 per cent or $7,500, whichever is less. There's also a minimum amount—$750.

And now, for the first time, an *employee* not covered by a pension plan will be able, starting Jan. 1, 1975, to establish an individual retirement account with the approval of IRS. An employee can save 15 per cent of his salary, tax-free, up to $1,500 annually. A working spouse can set up a separate plan.

Contributions to the account and subsequent earnings on the investment are tax-free. The proceeds are taxable on retirement, which can start at age 59½. There's a penalty for earlier retirement, but proceeds can be drawn earlier without penalty if the participant is disabled.

COMPLIANCE DATES*

Jan. 1, 1974	New favorable tax rules on lump sum distribution to employees effective.
July 1, 1974	Plan termination coverage effective for single employer plans.
Oct. 2, 1974	Premium due for plan termination insurance, but extended to Dec. 1, 1974 without penalty.
Jan. 1, 1975	Fiduciary and disclosure provisions effective. Act preempts state laws. Individual retirement accounts, authorized by law, can be started.
Dec. 31, 1975	Plans whose year begins on Jan. 1 must be amended by this date to meet new eligibility, vesting, funding and joint survivor benefit provisions. Plans beginning on later dates in the calendar year must be amended by the dates the plan years begin in 1976.
Jan. 1, 1978	Plan termination coverage effective for multi-employer plans, but Secretary of Labor may use discretionary authority to pay benefits sooner.
Dec. 31, 1980	Maximum extension of funding limitations and granting of vesting variances for collectively bargained plans, and maximum deferral of certain supplementary benefits for collectively bargained plans.

*These are basic dates. Secretary of Labor has discretionary authority to grant changes in many instances. Refer to PL 93-406, the Employee Retirement Income Security Act, signed into law Sept. 2, 1974.

which provide defined benefits. Some 100,000 plans are covered.

Though regulated by the Act in other respects, defined contribution plans—those where benefits are based on variables including amounts contributed to individual retirement accounts (profit-sharing and stock bonus plans fit in this category)—do not qualify for the insurance.

The initial annual premium rate is $1 per participant for single employer plans and 50 cents per participant for multi-employer plans. Premiums are due this year.

Basically, if an insured plan defaults, the corporation can pay pensions up to $750 a month to participants, starting at age 65. This is for a plan that's been in effect for at least five years. For those in operation for a shorter period, payment will be at a rate of 20 per cent of the projected pension per year of coverage.

The insurance only insures the participant. Employers will have to reimburse the corporation, with a liability of up to 30 per cent of employer net worth.

For the employer, here are some basic do's and don'ts for corporate retirement plans:

• *Accept the fact that the new law will force you to amend your retirement plan.*

Virtually every pension plan in the U.S. will have to be amended, to some degree, to comply with the law. If a plan doesn't, the employer will lose his tax deduction right for pension contributions and expose himself to civil actions and, in some cases, to criminal proceedings.

• *Begin now to compare specific provisions of the law with specifics of your plan, to determine when your plan must be amended.*

If your plan year begins on Jan. 1, you'll have to amend your plan to meet the new eligibility, vesting and funding requirements before Jan. 1, 1976; if it starts on July 1, you'll have another six months.

If you can show economic hardship, the vesting rules may be eased for you for up to an additional seven years, and collectively bargained plans can lengthen the funding timetable until 1981.

• *Begin now to determine your added costs.*

The Act's cost impact will vary from plan to plan and industry to industry. Roughly speaking, some experts say, about one third of all plans will be saddled with slight to moderate cost increases, the next third with substantial increases and the final third with heavy increases which may be unaffordable.

Because of eligibility and vesting requirements alone, some plans' costs will increase 50 per cent or more.

One national retail chain, for instance, foresees a hike of more than 30 per cent in its pension costs.

• *Consider all your options.*

For example, if you have a defined benefit plan with unfunded liabilities you may find your problems mounting because of the new funding and termination insurance rules.

Depending on the size of unfunded liabilities and overall financial condition, a corporation's ability to borrow could be crippled. If so in your case, the best course may be to restructure your plan benefits, substitute a different type of plan, or even opt for no plan at all, in order to save the firm and its employees' jobs.

• *Take a longer look down the road.*

Look ahead to escalating Social Security benefits and taxes, rising pay scales and other labor trends, general inflation and your financial structure. It may pay to completely reappraise all your company policies on employee benefits.

• *Communicate with your employees.*

The Act requires reports, but political rhetoric associated with "pension reform" has already given rise to many unreasonable expectations. Keep your work force informed with the honest, cold facts, such as the true costs of benefits.

If you're unionized you may have more problems. Collectively bargained plans will have to meet compliance dates on eligibility and vesting even if this means opening up the contracts for that sole purpose. It will not be an "unfair labor practice" to limit a renegotiation to a pension plan alone.

Here are some don'ts:

• *Don't try treating compliance with the new law as a do-it-yourself job.*

Sound pension planning requires not only the best efforts of management but the advice of experts—attorneys, accountants, actuaries, consultants, bank trust officers and life insurance representatives.

While the law itself is complex, the regulations that will follow from the Labor Department and IRS are likely to be more detailed.

• *Don't trap yourself by hasty action.*

You must move with reasonable speed to meet the specified deadlines, but acting too hastily may put you in a position of having serious second thoughts when it's too late.

Careful evaluation is required to build a long-range plan that fits your needs and your employees'.

• *Don't fail to consider the new funding provisions.*

If you use book values to deter-

WHO'S EXEMPT

Excluded from the plenary coverage of the Employee Retirement Income Security Act are:

• Governmental plans.

• Certain church plans.

• Plans primarily for aliens.

• Workmen's compensation and unemployment compensation plans.

• Unfunded plans which provide benefits in excess of Internal Revenue Code limitations on contributions and benefits.

Excluded from all but the disclosure requirements are unfunded plans maintained by the employer primarily to provide deferred compensation for select management or highly compensated employees.

Excluded from the participation, vesting, funding and plan termination insurance requirements are:

• Plans established by labor organizations—under Sec. 501 (c)(5) of the Internal Revenue Code—which do not provide for employer contributions.

• Plans established by fraternal or other organizations—under Sec. 501 (c)(8), (9), (18)—which do not provide for employer contributions.

Specifically excluded from the funding standards are:

• Profit-sharing, stock bonus, and other individual account plans (except for money purchase plans).

• Certain qualified level premium individual insurance contract plans.

• Plans that have not after the date of enactment provided for employer contributions.

Also excluded from coverage under plan termination insurance are:

• Individual account plans (e.g., profit-sharing stock bonus, and money purchase pension plans).

• Plans that have not after the date of enactment provided for employer contributions.

• Plans established by professional service employers and which have fewer than 26 active participants.

• Plans established exclusively for "substantial owners."

mine how much equities in your funds are worth, the law requires you change this to reflect market prices.

If your plan has more than 10 per cent of total assets invested in your company's securities or debt instruments, you must start to get it down to 10 per cent by 1985.

Should you terminate your plan you must make up any deficit in unfunded liabilities. You might want to consider insuring against this contingent liability, which could be as much as 30 per cent of your company's net worth.

• *Don't treat the Act's fiduciary provisions too lightly.*

Carefully review these tough rules that spell out areas in which fiduciaries may not engage directly or indirectly with—or as—parties of interest in the sale, exchange or leasing of property; extension of credit; transfer of plan assets, etc.

Generally, a 10-year transition period is allowed to phase out existing transactions involving holding of assets, and three years is allowed for those involving provision of services.

The law also spells out transactions in which fiduciaries are specifically permitted to engage.

• *Don't think of this Act as just pertaining to pensions.*

As mentioned earlier, the law also covers other benefit plans—life, health, accident and supplemental unemployment plans; also vacation plans; apprenticeship or other training programs; day care centers; scholarship funds and prepaid legal services. The Act's new fiduciary and disclosures provisions apply.

• *Don't overlook yourself and your executives.*

Look closely at limitations in the law on defined contribution plans vis-a-vis those on defined benefit plans. Experts note that the limitations on defined benefit plans (in the future the top benefit will be $75,000, plus cost-of-living adjustments) are less restrictive and should be considered by companies that want to reward executives with very generous retirement benefits.

The new limits should be assessed with top management firmly in mind, because pensions will be a big factor in executive recruiting and retention.

END

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I certify that the statements made by me above are correct and complete.

WILLIAM W. OWENS, business manager

You Can't Win If the

Making the odds more even for exporters is a goal of a batch of international agencies

may end
Mike Brown
11-5-74

GENEVA, Switzerland—To the foreign observer of life in the United States, the size and strength of a company like Sears, Roebuck is an astonishing witness to the difference between the Old World and the New. Such an operation cannot exist in Western Europe.

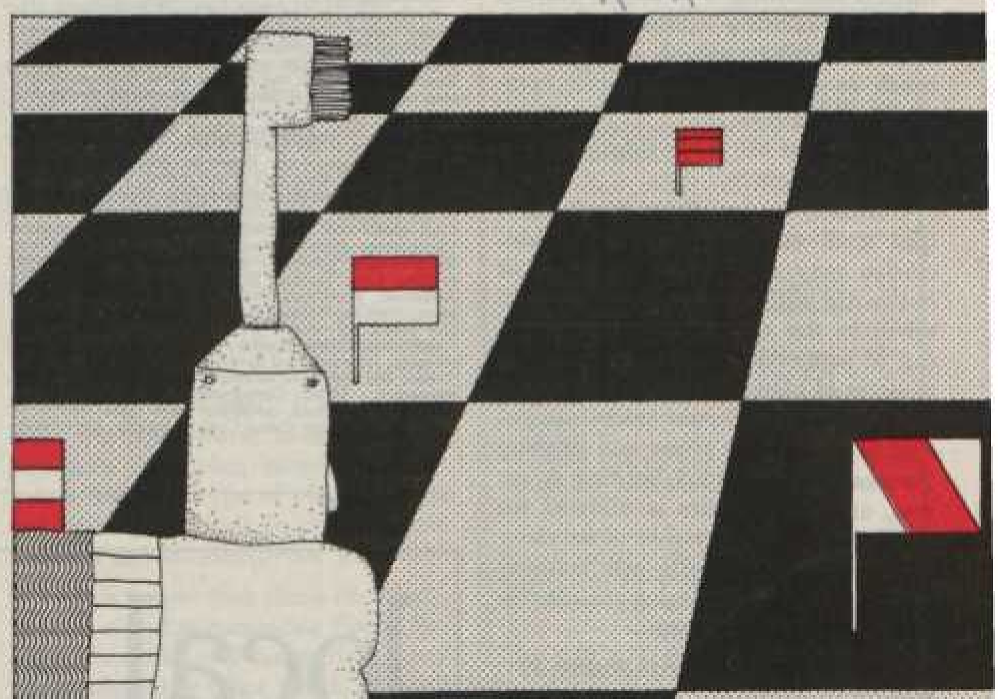
Whereas America is one market, Western Europe is divided into 17. A trader can offer the same domestic appliance to 200 million potential buyers throughout the United States, but his European counterpart faces a multitude of national barriers.

It is no longer a question of import duties, or of the different currencies, but simply of differing national standards and regulations. By and large, the appropriate authority, government or industrial, in America can lay down the same standards for all 50 states; the writ of a standards authority in Europe does not run much more than a hundred miles, in most cases, in any direction.

This situation came about in a natural way. With national governments facing the need to protect their citizens from dangerous products, each country's industries had to agree on "voluntary standards" (i.e., not government-enforced).

As long as industries were interested solely in selling on their own national market, and tariff barriers were so high as to cut out foreign competition, this system worked admirably. It was of no importance if other countries adopted other criteria in writing their regulations.

But things are very different now. With the explosive growth of international trade in the past two decades and the progressive reduction of tariffs in Western Europe due to establishment of the Common Market, many large European companies now sell a bigger proportion of their production abroad than at home.

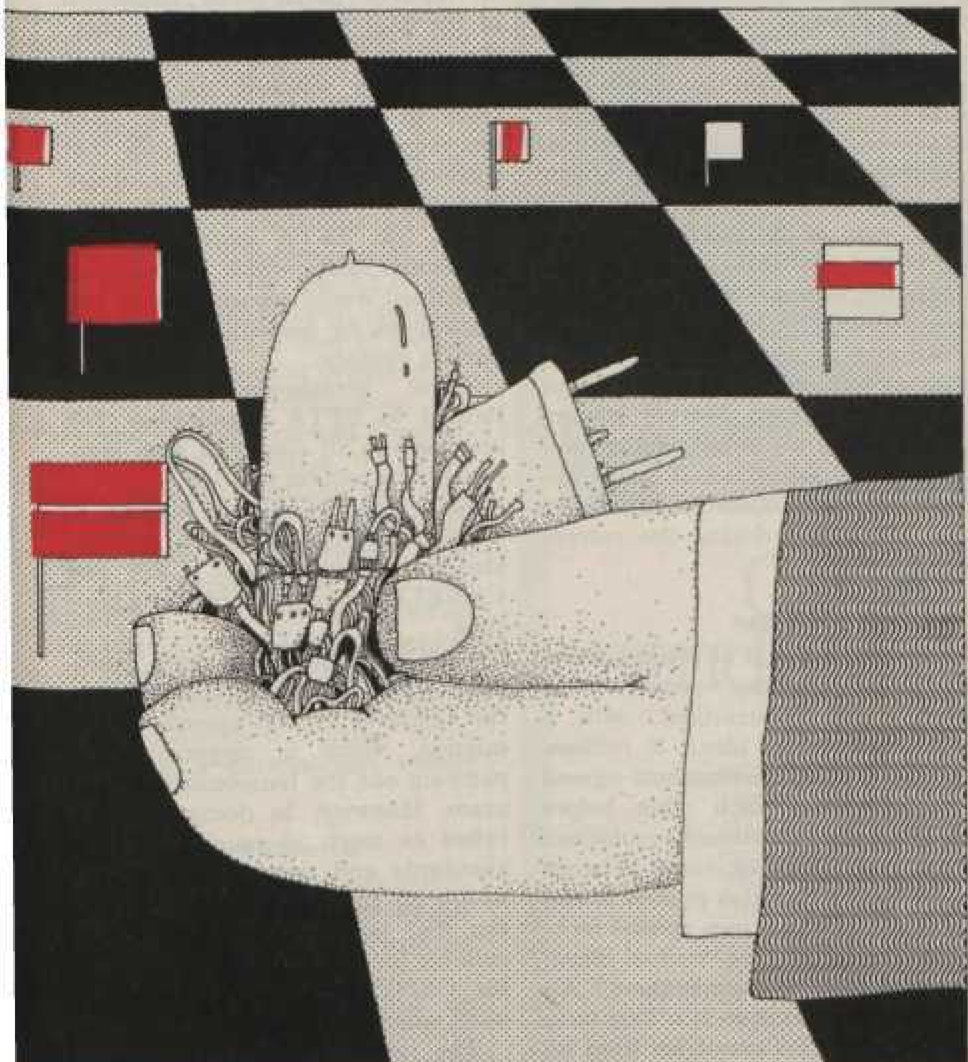


Whereas American industry exports on average less than 5 per cent of its production, the average figure in Europe is 30 per cent. At that point, differing national standards become a serious matter—in the jargon of experts, "NTB's," nontariff barriers to trade.

Therefore, intense activity to harmonize standards was inevitable. Work began 10 years ago in the Common Market and in EFTA, the European Free Trade Association. The region's standards authorities got together in CEN (the initials for European Committee for Standardization, in French) and in CENELEC, which deals with the electrical sector.

The ECE (Economic Commission for Europe, a United Nations agency) also got into the act, as did

Rules Won't Let You



CEE/Arnhem, which approves rules for electrical equipment.

Unfortunately, all this was misinterpreted by many American industrialists. Instead of welcoming progress toward wider standards, they suspected Europe of ganging up against the United States by writing regulations which would exclude American products. But there is no sign that this is the case. Instead, the Europeans have tried to adopt genuinely international standards, where they exist, and to cooperate in making new ones in world bodies of which the U.S. is also a member.

There has been a surge of activity in the standards field not only in Europe but world-wide—60 per cent of existing world standards have been agreed on only since 1970—and this has created a good deal of confusion and duplication. For new high-technology industries, standardization is easy enough, since few companies are involved and they have small inventories, if any, of previously manufactured components. But such ordinary things as screw threads or colors of electric wires are quite another matter.

Britain is in the throes of a 15-year program to "go metric." The United States is only now moving in this direction. Also, when it comes to health and safety standards, resistance to harmonization is intractable. Each country's inspectors tend to believe their regulations and inspections are best.

Fingers in the pie

But the problems are urgent from the point of view of international trade. Thus we find that a flock of international bodies have fingers in the standardization pie.

Two world agencies are charged with arriving at international standards. ISO (International Organization of Standardization) operates over most of the field. IEC (International Electrotechnical Commission) handles electrical products.

Both have as members the national standards organizations of interested countries (72 countries in ISO, 41 in IEC). Both have small headquarters staffs in Geneva. Both have similar procedures to reach agreement on new standards.

Technical committees or working parties consisting of experts from several countries are set up to discuss draft standards for products. At any given time about 2,000 of these groups are at work world-wide, involving the participation of some 150,000 experts. When a committee agrees on a draft, it is circulated to all ISO or IEC members for voting. If it receives the three-quarters ma-

jority required, it will be accepted internationally.

Of the two agencies, IEC, founded in Chicago in 1906, is the older.

In recent years, development in the electric and electronics industries has been accelerating at a giddy pace—as has international trade in their products. That trade now amounts to more than $20 billion a year, on top of a much larger total of sales in domestic markets. Small wonder that IEC has about 600 technical committees or working groups worldwide and an increasing flow of agreed-upon regulations.

The regulations deal with five main categories.

1. Common means of expression: vocabulary, graphical symbols for electric circuit diagrams, electromagnetic theory.

2. Standard methods of testing or of declaring performance: these enable the ready comparison of claims made regarding quality or performance and set minimum requirements.

3. Agreement regarding levels of quality and performance arrived at as a result of such standard test methods.

4. Agreement on features affecting mechanical or electrical interchangeability, or aimed at reducing the variety of models to obtain greater production runs.

5. Safety of human life.

ISO was established in 1946 to take over the work of a number of agencies. Its aim: harmonizing hundreds of thousands of existing technical national standards. About 1,350 subgroups are in action, and new standards are being agreed upon in ISO at a rate of about 500 a year. The main fields are chemicals, mechanical engineering, metals, nonmetallic materials, and agricultural products. Transportation and building are other important sectors.

In addition to the work of IEC and ISO, standards are being written in some areas by specialized bodies—for example, the International Telecommunications Union, the International Atomic Energy Agency and the International Association of Aerospace Equipment Manufacturers.

The Common Market, with its nine member countries and a total population of about 250 million, is the Free World's largest trading group, so its work on common standards is of fundamental importance. There is to be free trade in most industrial products throughout Western Europe by mid-1977. And free trade, of course, means not only abolition of import duties, but also systematic destruction of all other barriers to trade.

An ambitious program got under way in the mid-'60s. Standards were to be harmonized on industrial products and on foodstuffs. Member countries were to accept each others' inspections. No new national standards were to be established without prior consultation.

But the program was slowed by a number of problems, including some which cropped up because of rapidly evolving technology. So at the end of 1973 the Common Market governments agreed on a new major program of harmonization. If this is fulfilled, all such obstacles will have been eliminated during the current decade.

Cooking with gas

EFTA is a group of seven smaller European countries, among them Sweden and Switzerland, with a total population of about 40 million. In 1964, EFTA governments agreed to consult with each other before introducing new national regulations which could hamper trade between them. EFTA has also pushed ahead since 1970 with its own special technique—agreement for "mutual recognition of tests and inspections." Although harmonization is a long-term effort, the EFTA countries tried an effective shortcut.

Take, for example, gas cookers. A manufacturer wishing to sell a cooker in another EFTA country had to send prototypes for inspection. So it was agreed that the testing authority for the country of origin would inspect the export cookers to see that they met the standards of the country where they were to be sold—and that the inspection would be accepted. The same technique was successfully adopted for ships' safety and fire fighting equipment, pressure vessels of all types, agricultural tractors and a number of electrical appliances.

In two sectors, arrangements sponsored by EFTA went farther.

International hallmarks for gold, silver and other precious metals, which could be applied by the assay offices of all participating countries, were agreed upon.

Then there were pharmaceuticals. In this very special sector, inspection of the final product will not suffice; the entire manufacturing process is continuously watched. As a result, trade in pharmaceuticals had been seriously restricted—companies that wished to export did not like foreign inspectors ferreting through their plants. So EFTA worked out an agreement under which all countries concerned would recognize tests and inspections by inspectors of the exporting country.

These arrangements are not limited to EFTA membership, but are open to all countries with comparable inspection systems.

As a result of all this activity in Western Europe, the two regional standards organizations, CEN and CENELEC, have been having a busy time.

CEN's first duty is to draft "European standards" for presentation to the Common Market executive commission, which is responsible for carrying out the harmonization program. However, in doing so CEN refers as much as possible to ISO standards and only drafts its own where no ISO standard exists or if the ISO text is too general to be suitable for Europe. The same is true for CENELEC, which uses IEC's work whenever it can.

The general philosophy is to achieve standards of the widest possible application.

Vegetables and vehicles

Economic and social factors make it hard to achieve broad international agreement on standards—and it seems that work on the technical level is not enough to break the logjams. As a result, other international organizations have taken a hand.

The ECE (Economic Commission for Europe), a United Nations body for which "Europe" is defined to include the U.S.S.R. and the other

communist countries of Eastern Europe, does useful technical work in the economic field and has from the beginning been active on standards.

As early as 1958, ECE produced a protocol containing 50 grading and quality standards for fruits and vegetables, which were applied to trade in those products by most ECE countries. Since then, work has continued on other foodstuffs, in close collaboration with two more UN agencies, the World Health Organization and Food and Agriculture Organization.

Similarly, ECE has been busy on motor and vehicle standards and in a variety of other industrial sectors. There are periodic meetings of officials responsible for the ECE governments' standardization policies, and these produce a flow of recommendations and lists of priorities.

The OECD (Organization for Economic Cooperation and Development), which includes the U.S., Japan, Canada, Australia and New Zealand, plus 17 noncommunist European countries and Iceland, Turkey and Yugoslavia, is often employed to achieve wide agreement on trade rules. Over the years there have been OECD compacts of a general nature in the standards field dealing with pharmaceutical labeling, tower cranes, tractor performance, among others.

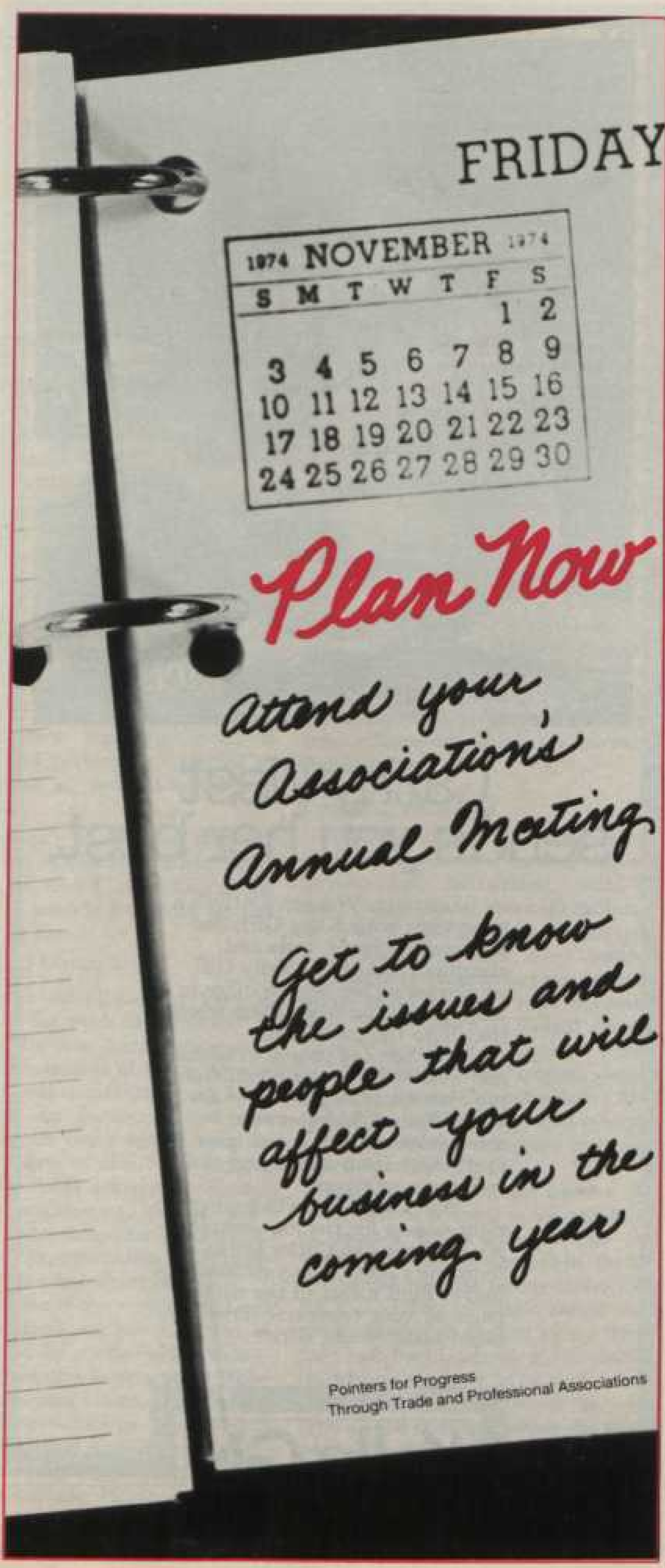
Into the Tokyo Round

Finally, there is GATT, an organization through which nations seek to establish and enforce international trade rules.

GATT (General Agreement on Tariffs and Trade) negotiations have concentrated on reducing tariff levels world-wide. The Kennedy Round, for example, cut industrialized countries' import duties an average of about 35 per cent. There is now increasing pressure in GATT to do something about nontariff barriers, which become more important obstacles as import duties fall.

And since a large number of these barriers arise from different national standards, GATT also gets into that field.

There is no intention to use GATT for writing international standards, but a GATT committee has proposed



You Can't Win *continued*

a "Code of Conduct on Preventing Technical Barriers to Trade."

The Code would require its adherents to use international standards as the basis for their own and to give advance notification of any proposed new standard to the other participants in the Code. It would encourage mutual recognition of tests and inspections and require quality assurance systems to be widely international.

Another problem, exporters' ignorance of technical regulations in importing countries, would be solved by setting up a number of "inquiry points" equipped to answer all reasonable queries about standards and their enforcement.

Since there has been advance agreement between the main parties to GATT's new Tokyo Round—the United States, the Common Market and Japan—that nontariff barriers must be reduced, negotiation on this draft Code will be an important element of the Round.

It is clear that the U.S. government and U.S. industry are fully involved in the whole process of setting world standards. They have many ways to shape the results through ISO, IEC, OECD and GATT.

But the effort may be weakened by the fact that, while U.S. industry is well organized to deal with domestic standardization problems, it is fragmented in its international posture. Many industrial groups are writing "voluntary standards" for their own sectors. But they are not united in any single unit to conduct negotiations with the outside world. For seven years, a bill seeking to fund a central agency which would perform that task has languished in Congress.

Has the moment arrived to give some cohesion to the U.S. effort on a world scale?

Also, does world activity on standards really need to be split between so many different agencies? All the necessary talent and expertise, of both industry and government, are already working inside the two key international organizations, ISO and IEC. Would it not be more efficient to give more political backing to those two groups?

—GEORGE R. YOUNG

PANORAMA OF THE NATION'S BUSINESS

By VERNON LOUVIERE
Associate Editor

Aiding youngsters' projects, and his sales, pleases Colgate's David Foster.

A Marketing Strategy That Helps the Young

Colgate-Palmolive Co. has come up with a marketing strategy that not only sells products but "helps young people help themselves to a better America."

It has two programs in which youngsters have raised hundreds of thousands of dollars for school projects and such national groups as the Boy Scouts and Girl Scouts.

The youngsters do not sell Colgate products but they encourage their sales by participating in company-sponsored contests.

In one program, called "Help Young America," votes (labels or box tops from two of 13 Colgate household products) are cast for the Boy Scouts, Girl Scouts, Girls' Clubs of America, Boys' Clubs of America, National 4-H Foundation or Camp Fire Girls.

In the other program, "School Action Plan," school groups collect Colgate labels and box tops and are paid from two to 40 cents each, depending on the product.

Colgate this year is awarding $365,000 in the "Help Young America" program, some of which goes to the national organizations of the youth groups and some to local units. An indeterminate amount will be distributed among some 1,500 schools taking part in "School Action Plan."

A striking feature of both programs is the number of imaginative ideas youngsters come up with in promoting their campaigns. In Pittsburgh, a Girl Scout troop wrapped Christmas packages at a shopping mall to garner "Help Young America" votes. Several boys' clubs in California offered a Thanksgiving car wash service. And in New York, a land-office demand for ballots occurred in a pet shop where a mynah bird was taught to say, "Get your ballot here."

The "School Action Plan" has raised thousands of dollars for school projects where funds are not otherwise available. A high school in Pennsylvania raised enough money to send the school band to the Indianapolis 500 auto race. In Illinois, money brought in meant a new scoreboard clock for a high school stadium. And in Louisiana, youngsters air-conditioned a school library.

Speaking of the school program, David R. Foster, president and chief executive officer of Colgate, says:

"Not only does it help sell our products, and create what we hope will be lifelong buying habits, but more importantly, it is such a positive way of helping young people. . . . Students not only are able to help 'underwrite' the cost of equipment needed for extracurricular activities, but they also derive a great sense of accomplishment by setting a goal and achieving it." •

A Vehicle for Finding Good Auto Mechanics

Finding a competent and reliable mechanic has been a common difficulty for automobile owners down through the years.

Now, some of the guesswork is being removed, thanks to the National Institute for Automotive Service Excellence, a new organization sponsored principally by the automotive industry.

NIASE has just published a 170-page directory entitled, "Where to Find Certified Mechanics for Your Car." It contains 5,300 listings in every state, including Alaska and Hawaii.

"We have received thousands of inquiries from consumers, basically asking the same simple question: 'Where can I find a certified mechanic?' " says Herbert S. Fuhrman, president of NIASE.

The directory, he says, should enable people "to make reasoned decisions as to where to take their cars for repair."

In a series of tests conducted in more than 200 U.S. cities during its first two years of operations, NIASE has issued over 150,000 certifications to 40,000 mechanics attesting to their competence in vehicle repairs. Eight individual tests, prepared by Princeton University, are offered: for engine repair, automatic transmission, manual transmission and rear axle, front end, brakes, electrical systems, heating and air-conditioning, and engine tune-up.

A mechanic may take one, several, or all the tests. More than 8,000 mechanics have taken all eight and been certified as "general automobile mechanics."

NIASE estimates that it will have more than 20,000 service shops employing certified mechanics identified in a new directory coming out in about a year.

The current directory is available by sending $1.95 to: NIASE, 1825 K St. N.W., Washington, D.C. 20006.

"Our primary initial purpose has been to provide a means, through objective, uniform, professionally developed and administered tests, for identifying the competent mechanic and awarding him recognition, so that all of the nation's mechanics will be encouraged to improve their skills and know-how, and so that car owners will know where to take their cars for correct diagnoses and competent repairs," says Mr. Fuhrman. •

continued on next page

John Sebaka

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Would Wood Do as a Power Source?

If Vermont's Green Mountain Power Corp. has its way, it's going to turn up its nose at Arab oil and high-priced coal and look toward wood as a means of generating additional electric power.

The utility, which now relies principally on nuclear and hydroelectric power, believes there is enough surplus wood in Vermont to supply a third of the state's electrical needs.

Green Mountain wants to put its theory to test at an old coal-fired generating plant about to be abandoned in Milton, Vt. Because research and development money has dried up and because it hesitates to jack up consumer rates any further, the company is seeking a $500,000 federal grant to convert the Milton plant to wood use.

Considering that coal is bringing some $40 a ton in Vermont, about the highest price in the country, that oil may become still more expensive and that environmentalists oppose increases in nuclear generation of electricity, wood looms large as a likely source of energy.

According to William Beardsley, who has a doctorate in environmental engineering and is special projects assistant to the president of Green Mountain, full-scale use of surplus and noncommercial timber to generate electricity would provide about $4 million annually in new forest revenues and create several hundred jobs in Vermont.

It is estimated that three pounds of wood (two if it's bone dry) generate as much fuel heat as a pound of coal. Green Mountain plans to pay from $10 to $15 for a ton of wood chips, depending on moisture content. There is no sulfur problem and ash usable for fertilizer would bring about $1.50 for each ton of wood burned.

"We would not compete with paper mills or other users of this timber," Dr. Beardsley explains. "We would buy surplus growth [after harvest], weed species—trees like poplars, yellow birch and alders which have no market value—and bark and scraps.

"There is enough wood in these three categories to supply a 250 thousand kilowatt plant. And, at the same time, this would make our forests healthier and more productive."

A Vermont electric utility wants to switch the fuel at this venerable generating plant from coal to wood.

Dr. Beardsley says the old coal plant at Milton, once converted to wood, would be a 4,000 kilowatt plant—enough to test the practicability of switching from coal to wood.

"The technology is there," he adds. "The problem is getting the wood out of the forest economically and environmentally. We have more wood than the Arabs have oil, so I say let's burn it." •

Better Management in Government

Government has become the nation's biggest business, employing nearly 13 million persons and accounting for 22 per cent of the Gross National Product. State and local governments are adding about 450,000 new employees every year.

In the mind of the average taxpayer, there is little to show that government efficiency is improving, despite all this new manpower. But there are pockets of progress here and there, with much credit given to the application of proven techniques of business to government.

"Probably more than ever before, the American taxpayer feels he is being overcharged," says James L. Hayes, president of the American Management Associations, which offers management training to public organizations.

AMA's Professional Institute has conducted programs with the Governor's Cabinet in South Dakota, the Massachusetts Department of Public Education, personnel officers of the Commonwealth of Pennsylvania, the City Clerks Association of Colorado, and the city governments of Richmond and Alexandria, Va., and St. Petersburg, Fla.

"Our basic charge is to provide the management team with the motivation and skills to get the work done through other people; to emphasize the team approach and the importance each member of the team has in attaining objectives," explains AMA Vice President John Simonds.

"We have found that among public administrators there is too often reluctance to delegate authority. In our training sessions we have stressed the importance of delegation with accountability for results."

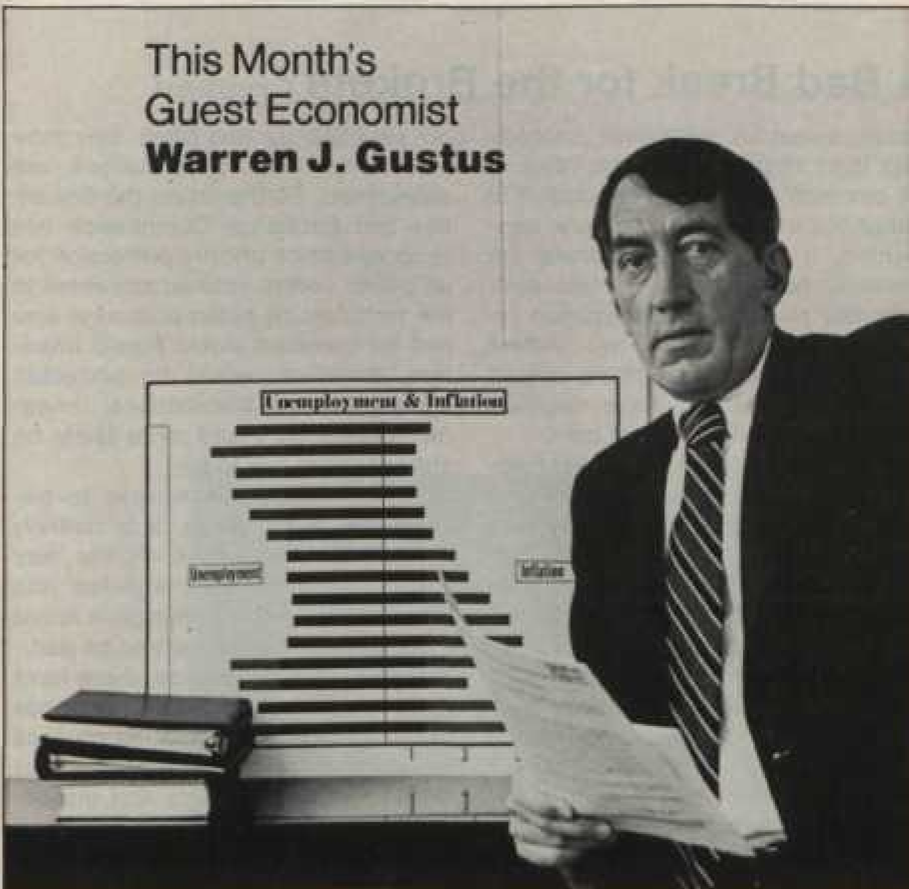
In the course of 16 classroom hours, topics are given practical meaning through the use of case studies, job simulation exercises and skill practice sessions.

The programs give training in improving communication, employee motivation and job satisfaction; maintaining effective discipline; and handling complaints.

"Unless we have been successful in providing top administrators with enough confidence in their own management ability to try new methods, the training does little to bring about positive change," Mr. Simonds says.

Otherwise, he adds, "our efforts will be lost in daily brushfires that plague so many administrators." •

This Month's Guest Economist
Warren J. Gustus



WERNER WOLFF—BLACK STAR

Dr. Gustus is an economist for the Reliance Insurance Cos., in Philadelphia. His duties include participation in decisions affecting Reliance investments.

A Bad Break for the Brokers?

The Securities and Exchange Commission has ordered an end to fixed commission rates on securities transactions after April 30, 1975. Meanwhile, most brokerage firms—plagued by the increasing costs and declining volume which continue to cause disappearances from their ranks—strongly oppose the unlimited price competition that lies ahead.

Not surprisingly, a number of dire predictions about the consequences of the SEC action are being made. Among these are the disappearance of the brokerage industry, the further decline and eventual demise of individual participation in securities markets, and domination of the markets by institutional investors—all to the detriment of the formation of real capital.

None of these predictions is likely to come true.

First, is the brokerage industry likely to disappear as a result of fully negotiated commissions?

For many years, the industry has had public sanction for price-fixing. As a result, competition in freely provided research has developed as a substitute for price competition among brokerage firms. And the structure of commissions has borne no relation to the cost of doing business. Without the competitive pressures that market-determined prices would have imposed, many firms have had inadequate cost controls. Because prices have been too high, competition has grown up outside the exchanges with the emergence of a third market.

Once fixed commission rates are eliminated, it is certain that the forms of competition in the brokerage industry will change. If a demand for brokerage service exists, it is difficult to understand why firms will not exist to supply the services, and at a profitable price. The elimination of fixed commissions may well reverse some of the trends which heretofore have decreased the importance of the auction markets and the importance of brokers operating in those markets.

One argument frequently given for protecting the brokerage industry is that there is a need to protect the individual investor. The expectation is that, as a consequence of fully negotiated commissions, brokerage facilities for handling individuals' transactions will disappear.

But if commission rates that institutions pay fall after next April 30, institutional business should become less—not more—attractive to the brokerage community. The individual investor should represent more profitable business and the incentives to serve him should be increased. The probabilities are very high that the individual investor will be better off with respect to both quality and availability of brokerage services.

Even if for other reasons than flexible commission rates the availability of brokerage facilities declines, does this spell domination of securities markets by institutional investors? The answer again is a resounding No.

Assets under management by institutional investors have grown enormously during the past several decades, and the institutional share of total securities transactions also has increased. A long list of reasons could be given for this, including the growth of pension benefits and profit-sharing plans, the tax laws that have encouraged the institutionalization of savings, and the fact that the brokerage community generally has given better research to institutions than to individual investors.

But whatever the reasons for the growing importance of the institutional investor, there is no evidence that the markets are dominated by institutions, or will be.

Domination is not possible because no single institutional investor or small group of institutional investors is important enough to control securities markets. The number of banks, insurance companies, mutual funds and private money managers is simply too large. The 10 biggest institu-

A Bad Break for the Brokers? *continued*

tional investors combined manage less than 15 per cent of the value of all common stock. Only a handful of industries in the U.S. are more fragmented. If institutions dominate the markets, how do you explain their generally miserable performance results during the past two years? Equity portfolio values of the largest institutional investors have declined on the order of 20 to 40 per cent.

Nor is there any evidence that institutions are sufficiently large to have decreased the liquidity of the markets. The dollar volume of the New York Stock Exchange in 1973 was over four times as great as the volume 10 years earlier. And while institutions may trade in relatively large blocks, and while such trades may have a larger impact on price than smaller trades, there is no evidence that large trades now have a larger impact than in the days when institutions were less important investors.

The most serious consequence of eliminating fixed commissions would be an impairment of corporations' ability to raise equity capital. Most critics of fully negotiated commissions who say they expect capital markets to be hurt have not fully developed their explanations. One who has is William C. Freund of the New York Stock Exchange [see "This Month's Guest Economist," *Nation's Business*, July, 1974]. Pointing out—correctly—that huge amounts of capital will have to be raised by corporations during the next decade, and that corporations can retain earnings because their stockholders permit it, he argues:

"If individuals are discouraged by a dealer-oriented market, the emphasis in individual investment could readily shift from the owners' expectations of capital gains to a European-style demand for a much larger share of earnings in the form of dividends. . . . Corporate issuers would have to shoulder much heavier burdens of external financing. The net result would be to force corporations to rely more heavily on large institutions for essential capital."

Of course, this chain of logic begins with the condition that individuals are discouraged by a dealer-oriented market. But the chances of a dealer-oriented market are likely to be significantly less than they now are, once fixed commissions are abandoned. Furthermore, the Securities and Exchange Commission has proposed price priority protection for all public orders entered anywhere in the forthcoming national market system for common stock. Public investors, therefore, would be protected against dealer transactions. Investor confidence would more likely be stronger than it is today.

Even if corporations were to pay out more in dividends, it is unlikely savings would decline. If the way these savings were channeled into investments were to change, it is not entirely clear why this would be bad.

During the last decade, there have been rapid and substantial changes in the savings and investing process including the growing importance of the institutional investor and the declining importance of the individual investor. Thus, from 1961 to 1972, households have been net disinvestors of corporate equities in every year but one. During the latter half of the decade, interest rates have risen to record highs and equity prices have had essentially a flat trend, with wide and violent swings about this trend. Nevertheless, in spite of that environment, corporations have been able to raise large amounts of capital. In 1961, corporations issued $2.2 billion of equities. In 1972, corporations issued $10.4 billion and in the peak year of 1971, corporate issues totaled $11.7 billion.

Since 1972 the problems of Corporate America in raising equity capital have multiplied. The end is not yet in sight. These problems, however, are not related to nor will they be compounded by negotiated commission rates.

As long as inflation continues at recent levels and as long as there are not convincing signs of a slowdown in inflation, interest rates will remain high, making fixed income securities attractive alternatives to equities. As long as the federal government, including quasi-governmental agencies, competes for one third to half of the new capital raised, the price of private capital will remain high.

However, restricting competition in the brokerage industry will do nothing to alleviate these problems.

A VIEW OF THE CLIMATE ABROAD Australia

PHOTO: DAVID MOORE—BLACK STAR

Sydney, Australia's largest city (metropolitan population: 2.8 million), has won much notice with its lottery-funded, waterside opera house.

Despite the fact that its population is only slightly more than 13 million, Australia has grown to be the world's eleventh largest trading nation.

This status has been built mainly on rural wealth in a land mass almost as large as the United States, excluding Alaska. For years, Australia "rode upon the sheep's back." Now, though agricultural products still contribute 52.5 per cent of total export income, there has been amazing growth in the mining sector—which accounts for around 22 per cent.

Not surprisingly, this vast continent, rich in natural resources but short of capital and technology, has proved very attractive to overseas investors. As of last June 30, around $20 billion had been invested by foreign companies in Australia. The traditional source of capital, the United Kingdom, has provided some 43 per cent of this total while the United States has furnished about 35 per cent.

During the last decade, Australia has broken many of its ties with Britain and has turned toward Southeast Asia and the United States. The U.S. now is the second largest buyer of Australian exports and the largest import supplier, and invests about the same amount in Australia each year as the U.K. does.

U.S. companies, recognizing the country's potential, have established more than 800 affiliates in Australia, and some 170 U.S. firms have set up regional headquarters Down Under.

During the 1960s, foreign capital flowed readily into Australia, contributing to the development of its oil, mining and manufacturing industries. In 1972, this free inflow stopped abruptly.

The change came about with the election of a Labor Party government under Prime Minister Gough Whitlam.

After 23 years of conservative administration by a Liberal-Country Party coalition, Australia suddenly found itself with a government intent on the rapid implementation of socialist policies. Along with such actions as abolishing British trade preferences, signing trade agreements with Russia and Red China, recognizing Russian sovereignty over the Baltic states and establishing diplomatic relations with North Viet Nam, this government has:

- Established a Prices Justification Tribunal.

Prepared in cooperation with the American Chamber of Commerce in Australia.

A View of the Climate Abroad *continued*

- Imposed a deposit requirement on foreign borrowings.
- Imposed export controls on all minerals.
- Prohibited foreign investment in real estate and energy resources.
- Established a government Petroleum and Minerals Authority.

At the same time the Australian economy has experienced rapid inflation (currently around 16 per cent), strong wage pressures and extreme industrial unrest. All tariffs have been reduced 25 per cent, and the Australian dollar has been devalued three times—by 7 per cent in December, 1972, 5 per cent in September, 1973, and another 12 per cent last September.

Government policy to control inflation has relied almost solely on running down the external account and imposing a severe liquidity squeeze.

Guidelines for foreign investors are still not comprehensive. However, on the basis of government action to date, the following policies have become established:

1. Long-standing prohibition of foreign investment in broadcasting and television, domestic airlines and branch banking continues.
2. Further foreign investment in land, other than for factory or private dwelling, is not permitted.
3. Further foreign investment in the four energy resources—uranium, coal, oil and natural gas—is proscribed.
4. Foreign investment in any mining venture must be less than 50 per cent.

These policies are implemented through two main instruments. First, an interdepartmental committee has been established to screen all new investment proposals in all sectors of the economy. Many transactions may be blocked on the committee's recommendation.

Second, any takeover proposal that would increase foreign equity in an Australian company above 15 per cent may be frozen for a three-month period for examination. After this, the Treasurer, on the advice of the Foreign Takeovers Committee, may block the bid or allow it to proceed. In practice, many bids are allowed to proceed. Of those held for examination, many are withdrawn by the suitor before a decision is announced.

This system of examination of investment proposals on a case by case basis, with decisions largely at the discretion of the Treasurer or other Minister, has prevented establishment of a clear set of guidelines.

Given the lack of guidelines, and the prevailing atmosphere of economic nationalism and potential stagflation, it comes as no surprise that extreme uncertainty prevails in business. U.S. and other foreign investors are critically reassessing their plans for involvement in Australia. Already, a few companies have decided to withdraw from the country while most others have adopted a wait and see attitude.

But, while a fundamental change has occurred in the welcome extended to foreign capital, there is an inherent strength in the Australian economy, guaranteed by its resource base. The thin capital market and the need for sophisticated technology indicate that foreign investment in Australia will always have a strong role to play. Control over such investment will undoubtedly be firmer than in the past, but opportunities remain for profitable involvement in a country with a strong future in the Pacific region.

Economic nationalism and public feeling against the multinational enterprise, prevalent in many countries, are also strong in Australia. In an effort to take some of the sting out of these sentiments, the American Chamber of Commerce in Australia has established committees with the object of:

- Monitoring the climate in Australia for U.S. business interests.
- Conducting a dialogue with universities, schools, trade unions, newspaper editors and consumer groups to obtain objective discussion of the role of the multinational enterprise.
- Conferring with government officials to open up lines of communication, in an effort to establish clear and reasonable guidelines for U.S. investors.

These efforts, coupled with the basic strength of the nation, ensure that Australia will continue to be an attractive area for U.S. investment—even if the game is played under different rules.

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BUSINESS: A LOOK AHEAD

BY GROVER HEIMAN
Associate Editor

A Longer Lead Time in Dealing With Shortages

In an effort to gain more "economic foresight," Congress has authorized the President to assemble a National Commission on Supplies and Shortages.

Essentially, the Commission's purpose will be to forecast shortages and make recommendations to the White House and Congress on coping with them. An important first task will be to evaluate the effectiveness of present government institutions that forecast shortages, and to propose adjustments—if it thinks they're needed—in the way these agencies operate.

The Commission is to consist of 13 members—five from the private sector and four senior officials from the Executive branch to be named by the President, plus two Senators and two members of the House selected by their leaderships.

Congress has authorized $575,000 for a year's operations by the Commission.

By March, the Commission is to report back on the advisability of having a permanent "facility" to recognize potential economic "crisis areas" and offer alternative ways of offsetting or mitigating the crises.

Lending a Hand in the Loan Field

The tight money situation is causing Congress to look at some old financial concepts which could lead to a domestic development bank patterned on the World Bank, or even a revival of the Reconstruction Finance Corp.

Resurrection of the RFC is proposed by Rep. Claude Pepper (D.-Fla.), who has introduced a bill to establish a Great Depression-type agency to make loans or loan guarantees to businesses which otherwise can't obtain funds on reasonable terms.

This modern-day RFC would have a total lending authority of $8 billion.

Sens. Thomas J. McIntyre (D.-N.H.) and Jacob K. Javits (R.-N.Y.), on the other hand, are sponsoring legislation to create a for-profit corporation something like the World Bank.

Their "Federal Domestic Development Bank" would initially be capitalized at up to $10 billion. Among its purposes would be to bring management and capital together, particularly in economically depressed regions, both urban and rural.

Sen. McIntyre says the proposal is "predicated on the belief that local and regional financial and entrepreneurial institutions are not and cannot support economic growth to the extent that would lift depressed and underdeveloped regions from their economic stagnation."

The bank would finance private business projects where capital is not otherwise available at reasonable terms. Loans could also be made available to public agencies for projects such as transportation or power development, and for low- and moderate-income housing.

Energy Cost Funds for the Little Guy

Small businesses hard hit by energy costs and energy-related material shortages can now get assists from the Small Business Administration.

Emergency energy shortage loans are available to eligible concerns under authority contained in a recently passed law.

There is a $500,000 limitation on a direct SBA loan and on SBA's share of a loan it makes jointly with a bank, except in a case of extreme hardship. But there is no limit on a loan wholly made by a bank and guaranteed by SBA. Maximum maturity for all the loans is 30 years, and on a direct loan or SBA's share of a loan the interest rate is 6.5 per cent.

The emergency funds may be used for working capital, to pay financial obligations, to refinance debts and to convert operations to a different fuel source.

EEOC Is Behind, but More Authority May Be Ahead

It's considered a dead issue this year, even though there's a lame duck session of Congress. But a distinct possibility next year is a push for passage of legislation aimed at widening the scope of the Equal Employment Opportunity Commission.

In oversight hearings held recently by the House Labor Subcommittee on Equal Opportunity, business witnesses lambasted the Commission for its backlog of approximately 100,000 claims of discrimination and what the witnesses said was its otherwise poor track record.

EEOC, created by the Civil Rights Act of 1964, theoretically was to provide prompt and equitable resolution of charges of discrimination based on race, color, sex, religion or national origin.

But the Commission hasn't been able to operate efficiently. The average time for processing a charge now is about 26 months.

Despite this, bills have been introduced this year that would extend the Commission's authority to charges of discrimination based on age, physical handicaps or less-than-honorable military discharges, or because job applicants are overqualified—i.e., their backgrounds make them suitable for higher-level work.

New Federal Rules for Franchising

Slowly, but inexorably, the Federal Trade Commission is getting closer to finalizing rules covering franchising.

The agency tossed out a proposal for rules two years ago and held 12 days of public hearings to listen to pros and cons. Now it has modified that proposal and the public has until Nov. 20 to file written arguments on the new package.

A major provision of the revised proposal would require a franchisor to furnish franchisees with a single disclosure statement containing 20 designated items of information on the franchise operation.

The statement would have to be furnished either at the first meeting to discuss a possible franchise sale, or at least 15 days before the prospect signs the contract or makes a payment for the franchise, whichever happens first.

And the franchisor must have substantiation for income and profit claims.

Uncustomary Ease in Dealing With Customs?

If planned streamlining at the Customs Service moves ahead as programed, importers are going to have fewer headaches and frustrations in the future.

Under a proposed computerized system, importers will be able to deal with Customs as a single unit instead of dealing separately with authorities at different ports, thus sharply reducing their clerical work.

Assistant Treasury Secretary David R. MacDonald says that, for example, if an appropriate bond is on file with the Customs Service, the importer could obtain on-the-spot release of his goods, after inspection, without payment of duty. Customs would bill him monthly for all transactions performed at one or a number of U.S. ports.

"Paperwork which presently prevents entries from being liquidated for four weeks or more will be completed in a matter of days," predicts the Treasury official.

The streamlining will consist of simplifying current complicated entry and duty payment procedures so that they are compatible with automated practices common in most present-day businesses.

Beefed-Up Help for Minority Firms Is on the Way

A trio of federal government agencies is teaming up to expand and improve existing management assistance programs for minority business firms.

To design a new assistance system, minority enterprise demonstration projects initially will be conducted in New York, Indianapolis and Dallas by the Commerce Department's Office of Minority Business Enterprise, ACTION and the Small Business Administration.

Expected to emerge from these pilot projects is a national model to guide such efforts and—hopefully—lead to more timely management aid that will reduce the rate of minority business failures.

OMBE will support the project through its locally funded organizations, ACTION will recruit expertise through its programs, and SBA will be responsible for aid to those firms that are in the small business category.

SBA says it will use such resources as volunteering trade and business associations, cooperating state and community organizations, the Service Corps of Retired Executives and the Active Corps of Executives, as well as its own staff.

EDITORIAL

Two Important Words

If your magazine was delayed in the mail past Nov. 5, you can skip this.

But if you're reading this before election day, we have a word for you: *Vote.*

And another word: *Wisely.* Pull the lever or mark your ballot for the candidate who will do the right things for our country, regardless of their political popularity.

We have enormous problems—inflation and energy, for example. Electing the right people could help in solving many of our problems.

Might even help improve the mail.

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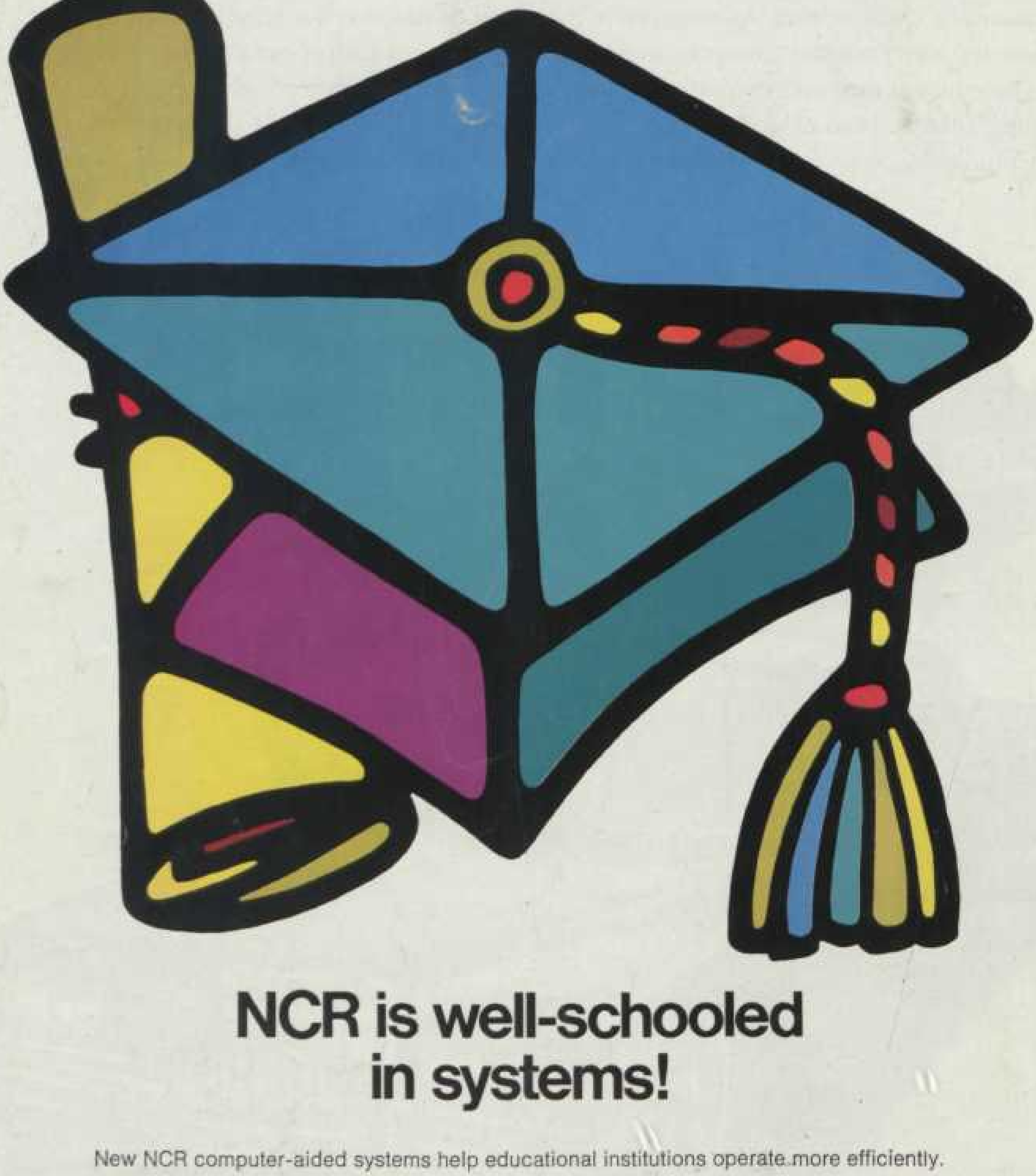

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